MASSACHUSETTS PORT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDING 6/30/2002

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Introduction

Comprehensive Annual Financial Report

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November 15, 2002

To the Members of the Massachusetts Port Authority:

We are pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the Massachusetts Port Authority (the "Authority") for the fiscal year ended June 30, 2002 ("fiscal year 2002"). This report was prepared by the Authority's Administration and Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, this report fairly presents and discloses the Authority's financial position, results of operations, and cash flows as of and for the year ended June 30, 2002 in accordance with the requirements of accounting principles generally accepted in the United States of America ("GAAP"), except where use of accounting principles required under the 1978 Trust Agreement is noted. Additional information intended to enable the reader to gain an understanding of the Authority's financial activities has been included within the CAFR.

This CAFR for fiscal year 2002 describes the Authority's financial performance during an unprecedented period of uncertainty, especially for the aviation industry, resulting from the terrorist attacks of September 11, 2001 ("September 11th"). Following the terrorist attacks, all air traffic in the United States was temporarily suspended, and Logan Airport was closed for four days. The financial results for fiscal year 2002 were significantly affected by the events of September 11th as well as the national economic slowdown that began before September 11th.

To address the financial impacts from the September 11th events, the Authority adopted and implemented a comprehensive Financial Recovery Plan. This Financial Recovery Plan included a wide range of actions: programmatic and organizational changes, personnel reductions comparable to those implemented by the Airport's private sector employers in the fall of 2001, service level cutbacks, and some user fee increases. For further discussion of the Authority's Financial Recovery Plan, see pages 5-6.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Massachusetts Port Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2001. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The CAFR is presented in three sections. The Introductory Section, which is unaudited, contains this letter of transmittal, a narrative providing background with respect to the Authority and an organization chart of the Authority. The Financial Section consists of the Report of Independent Accountants and is followed by the required supplementary information, Management's Discussion and Analysis (MD&A) of the financial condition of the Authority which is unaudited, ending with the Authority's audited Financial Statements for fiscal year 2002, with comparative information for fiscal year 2001, and the Notes to the Financial Statements. The Statistical Section, which is unaudited, includes selected financial and operational information, generally presented on a multi-year basis.

THE AUTHORITY

The Authority was created by and exists pursuant to Chapter 465 of the Massachusetts Acts of 1956 (as amended to date, the "Enabling Act") and is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth"). The Enabling Act and the Trust Agreement dated as of August 1, 1978, as amended (as so amended, the "1978 Trust Agreement") between the Authority and State Street Bank and Trust Company, as trustee, and the PFC Revenue Bond Trust Agreement, dated as of May 6, 1999, as amended (as so amended, the "PFC Trust Agreement") between the Authority and The Bank of New York, as trustee, govern the disposition of cash revenues to the various funds established under the 1978 Trust Agreement and the PFC Trust Agreement, and restrict the use of revenues credited to such funds.

The Enabling Act provides that the Authority shall consist of seven Members appointed by the Governor of the Commonwealth. Members are appointed for seven-year terms, with the term of one Member expiring on June 30 of each year. The Chairman of the Authority is appointed by the Governor of the Commonwealth. The management of the Authority and its operations are carried out by a staff headed by the Chief Executive Officer, who is appointed by and reports directly to the Members of the Authority. Under the Enabling Act, the Authority has general power, among other things, (i) to issue revenue bonds and to borrow money in anticipation thereof; (ii) to fix, revise, charge and collect tolls, rates, fees, rentals and charges for use of its projects; and (iii) to maintain, repair and operate and to extend, enlarge and improve its projects. The Authority has the power to acquire property by purchase or through the exercise of the right of eminent domain in certain circumstances. The Authority has no taxing power. The Authority has no stockholders or equity holders and the Authority's financial statements are not a component of the Commonwealth's financial statements.

The Authority's facilities include airport properties, consisting of Boston-Logan International Airport (the "Airport" or "Logan Airport") and Laurence G. Hanscom Field ("Hanscom Field"); the Maurice J. Tobin Memorial Bridge (the "Bridge"); and various port properties (the "Port"), located in Charlestown, South Boston, and East Boston. On January 15, 2000, the Authority also assumed operating responsibility for the Worcester Regional Airport pursuant to an operating agreement (the "Worcester OA") among the Authority, the City of Worcester, Massachusetts and the Worcester Airport Commission.

Airport Properties

Logan Airport. The Airport is the principal source of the Authority's operating revenues, operating income, and net assets. In fiscal year 2002, Logan Airport accounted for 80.6 % of the Authority's operating revenues, calculated according to GAAP. In calendar year 2001, based upon total passenger volume, Logan Airport was the most active in New England, the 19th most active in the United States, and the 32nd most active in the world, according to the Airports Council International ("ACI"). The Airport has been classified as a large traffic hub by the Federal Aviation Administration ("FAA"). Airports are classified as large hubs if they enplane over 1% of the total passengers enplaned by domestic airlines in the United States. Enplaned plus deplaned passengers at the Airport for the fiscal year 2002 totaled approximately 22.1 million, excluding general aviation. This represents a 19% decline from the 27.3 million passengers that used the Airport in fiscal year 2001. The Authority derives revenues, in part, from activity-based sources, such as parking, rental car commissions, and landing fees. The events of September 11th and the national economic slowdown that began prior to September 11th reduced activity at the Airport and consequently had a significant adverse effect on the financial performance of the Authority. See Table S-5 for a ten-year statistical summary of activity at Logan Airport.

Airline Passenger Services. As of June 30, 2002, airline service at Logan Airport, both scheduled and non-scheduled, was provided by 52 airlines, including 7 U.S. major air carrier airlines, 17 non-U.S. flag

carriers, and 7 regional and commuter airlines. In fiscal year 2002, the two carriers that carried the greatest market share of passengers at the Airport, Delta Air Lines (including Delta Express and Delta Shuttle) and American Airlines (including TWA), carried approximately 36.9% of the total passengers using the Airport. The six carriers with the highest market shares – Delta Air Lines, American Airlines, US Airways (including US Airways Shuttle), United Air Lines, Continental Airlines, and Northwest Airlines – carried approximately 72.2% of all passengers traveling through the Airport during fiscal year 2002. The largest market share for fiscal year 2002 was held by Delta, with approximately 19.4% of all passengers traveling through the Airport. Following the close of the fiscal year, on August 11, 2002, US Airways Group filed for reorganization under Chapter 11 of the United States Bankruptcy Code. At this time, the Authority does not expect that the US Airways bankruptcy will materially affect the results of the operation or financial condition of the Authority. As of the date of this CAFR, US Airways continues to operate at the Airport.

Cargo Airline Services. Logan Airport also plays an important role as a center for processing domestic and international air cargo. According to ACI, in calendar year 2001 the Airport ranked 18th in the nation in total air cargo volume. As of June 30, 2002, Logan Airport was served by 10 all-cargo and small package/express carriers. During fiscal year 2002, the companies with the largest shares of enplaned and deplaned cargo at the Airport, based upon cargo tonnage, were Federal Express, American Airlines, United Parcel Service, Delta Air Lines and United Air Lines. In fiscal year 2002, total combined cargo and mail volume was approximately 842 million pounds. The total volume of air cargo and mail handled at the Airport decreased in fiscal year 2002 by 14.1% compared to fiscal year 2001.

Hanscom Field. Hanscom Field is located principally in the town of Bedford, Massachusetts, approximately 15 miles northwest of Boston. The Authority anticipates that Hanscom Field will continue as a general aviation reliever to Logan Airport, as well as continue to develop as a niche commercial service market for regional aircraft. General aviation operations, including business related activity, charters, and light cargo, as well as flight training and recreational flying, currently represent the vast majority of activity at Hanscom Field. Shuttle America, a regional airline, which commenced commercial service from Hanscom Field in September 1999, operates from Hanscom Field as US Airways Express.

Worcester Regional Airport. On January 12, 2000, the Authority entered into the Worcester OA for five years with the City of Worcester, Massachusetts and the Worcester Airport Commission. Pursuant to the Worcester OA, the Authority operates Worcester Regional Airport for the City of Worcester and the Worcester Airport Commission. Under the Worcester OA, the Authority pays a percentage of the net operating deficits (if any) for Worcester Regional Airport. For fiscal year 2002, the Authority paid 75% of such deficit, approximately $1.16 million. It is anticipated under the Worcester OA that, within five years of the date of execution of the Worcester OA, the Authority could assume title to Worcester Regional Airport. However, legislative action would be required in order for the Authority to take title to Worcester Regional Airport.

Tobin Memorial Bridge

The Tobin Memorial Bridge, which is a part of U.S. Route 1, extends across the Mystic River from the Charlestown section of Boston to the City of Chelsea, and connects Boston's Central Artery and the Northeast Expressway. The Bridge carries an average of 31,872 in-bound vehicles per day. The Authority collects tolls from in-bound users of the Bridge. The toll for passenger cars was increased to $2.00 on January 1, 2002. The total number of vehicles using the Bridge in fiscal year 2002 decreased by approximately 6.5% to approximately 11.6 million from the 12.4 million in fiscal year 2001, while Bridge revenues increased by approximately 31.8% to $17.4 million for fiscal year 2002 from $13.2 million in fiscal year 2001, primarily due to the toll increase that went into effect on January 1, 2002.

Port Properties

The Authority owns, develops, operates, and maintains Port Properties comprising certain waterfront properties transferred to it from the Commonwealth in 1959, as well as additional properties subsequently acquired. The Authority administers these Port Properties through two divisions: the Maritime Department and the Business Development Department.

The Authority, through its Maritime Department, owns, manages, develops, operates, and markets the public cargo and passenger terminals of the Port. Boston is New England's major port and the only port in the region providing a full range of container handling, cruise ship, bulk, breakbulk, automobile processing, petroleum, and ship repair services. The Authority's maritime business activities include cargo handling (including containers, bulk materials, and automobiles), serving as both a point of embarkation and port of call destination for cruise ships, and leasing property. All container operations are consolidated at Conley Terminal in South Boston, and an automobile preparation, processing, and distribution facility is located at Moran Terminal in Charlestown. The total number of cruise passengers increased in fiscal year 2002 by 32.5% compared to fiscal year 2001; while port activity for automobiles, containers and bulk tonnage has decreased by 10%, 3% and 31%, respectively.

The Business Development Department plans, develops, and manages real estate for maritime, industrial, and commercial uses. The Authority believes that in the long term this diversified land use strategy will provide a non-maritime revenue stream to help finance the continuing capital development of the Port's cargo and passenger terminals, reducing the burden on the Authority's other revenue sources.

LOCAL ECONOMY

The Boston area economy is an important factor in the Authority's operations, although the regional and national economies also play an important role, as passengers and cargo from across the United States and around the world travel to and from Boston via Logan Airport and the Port of Boston. The Commonwealth is home to a number of well-known and respected medical and educational institutions, providing relative stability to its economy. Tourism is also a significant component of the Commonwealth's economy, its third largest industry.

The national and state economies experienced uneven and generally sluggish economic growth in fiscal year 2002. According to the Bureau of Labor Statistics, the Commonwealth's seasonally adjusted unemployment rate of 4.8% as of June 30, 2002, while below the national seasonally adjusted unemployment rate of 5.9% as of June 30, 2002, was higher than the Commonwealth's seasonally adjusted unemployment rate of the prior year, which was 3.6% as of June 30, 2001.

The events of September 11th have contributed to the downturn in the national, state and local economies. The combined effects of the national economic slowdown and September 11th have adversely affected the commercial aviation industry in particular. In September 2001, all major air carriers, with the exception of Southwest Airlines, reduced flights nationally by approximately 20% and announced layoffs of 16% to 20%. At Logan Airport, carriers and other tenants laid off a significant portion of their local workforce.

MAJOR INITIATIVES

Capital Program

The Authority's fiscal year 2001-2006 Capital Program was approved by the Members of the Authority in July 2001 and represented a comprehensive, coordinated $ 1.9 billion capital improvement master plan

for all Authority facilities. The Capital Program included projects designed to promote safety, efficiency, environmental protection and customer service in fulfilling the Authority's mission of developing a sound transportation infrastructure and promoting regional economic development.

After the events of September 11th, the Authority's fiscal year 2001-2006 Capital Program was reviewed in order to (1) accelerate certain security projects, and (2) defer or cancel certain projects not yet commenced in order to reduce capital expenditures. On December 6, 2001 Massport's Board approved a two year Capital Program of $470 million for fiscal year 2002 and fiscal year 2003. No on-going construction contracts were interrupted. The major PFC-funded work on the International Gateway, the roadway system and the walkways from the garage to Terminals B and C continued unabated. The Board also allocated funds to construct the Authority's portions of the renovation of Terminal A that is being redeveloped primarily by Delta Air Lines. The Capital Program for fiscal years 2004, 2005 and 2006 remains under review.

The Capital Program for fiscal years 2002 and 2003 includes renovations to Logan Airport's terminals to accommodate screening of hold baggage. The Capital Program also includes the construction of projects comprising Logan Modernization, significant capital improvements to Logan's Airport's airfield, residential soundproofing in the communities neighboring Logan Airport, enhancements to the Maritime and Business Development Properties and the Bridge, and the maintenance and renewal of the Authority's existing facilities.

Long Term Financial Planning

The Authority's prior planning and its comprehensive financial plans aided the Authority in responding to the changes in the aviation industry that have arisen since September 11th. While safety and security have always been of great importance to the Authority, projects relating to safety and security are now the Authority's first priority. This priority has aided staff in selecting which projects to accelerate and which projects to postpone in light of the impact of the events of September 11th on the Authority. The projects underway will be completed, and certain crucial new projects have been and will be commenced in fiscal years 2002-2003. The revision of the Capital Program for fiscal years 2004-2006 has been postponed until the winter of fiscal year 2003 when the new security requirements, the demands on Authority's facilities and the Authority's financial position are likely to be better known.

Financial Recovery Plan

Major initiatives for the Authority during much of fiscal year 2002 focused on responding to the impacts from the disastrous events of September 11th.

In October 2001, Massport's Board revised the Authority's revenue and operating budgets as part of the Financial Recovery Plan. That plan was based upon the assumption that, on average, the number of passengers using Logan Airport for fiscal year 2002 would be 70% of the originally expected levels for fiscal year 2002 and that parking revenue would be 65% of the prior fiscal year. The resulting revised budget, which was established on the basis of revenues and expenses as calculated pursuant to the 1978 Trust Agreement, projected revenues of $305.6 million (reduced from $364 million) and operating expenses of $203.3 million (reduced from $226.6 million).

Because of restrictions in the Authority's Enabling Act and 1978 Trust Agreement, the Authority can only borrow funds for capital projects and cannot issue revenue anticipation notes, as can most cities or towns. Similarly, the Authority has no authority to borrow for operating expenses or working capital, as can most businesses. Accordingly, the Authority devised the Financial Recovery Plan in order to respond to the impacts of September 11th, and adopted a variety of measures in order to achieve its revised budgets. The

revised expense targets for non-personnel items were met as contract services such as building cleaning and bus frequencies were reduced, extended hours in the port facilities were eliminated, and the combination of lower oil prices and a mild winter reduced utility expenses. A 15% reduction in personnel was achieved through a combination of an early retirement program and lay-offs. Key revenue growth was accomplished in three ways: parking rates at the Airport were increased on November 12, 2001 from $18 to $22 per day; the Terminal B parking garage, which had been closed on September 11th, was reopened for passenger parking on January 15, 2002; and Bridge tolls were raised from $1 to $2 on January 1, 2002.

Actual performance in fiscal year 2002 proved to be more favorable than the targets set by the Financial Recovery Plan. The number of passengers using the Airport in fiscal year 2002 was 81% of the prior fiscal year. Landed weights were 82% of the prior fiscal year. Parking exits were 75% of the prior fiscal year, but parking revenues were 91% of revenues from fiscal year 2001, due primarily to rate increases. For the fiscal year, in accordance with the 1978 Trust Agreement, revenues of $327.5 million exceeded the revised budget, and operating expenses of $201.4 million were below the revised budget.

On a cash basis, the Financial Recovery Program worked well. With the sole exception of October 2001, cash collections during each month of fiscal year 2002 were sufficient to cover all debt service deposits, make the revised deposits to the Maintenance Reserve Fund and the Payment in Lieu of Tax Fund and to make a positive contribution to the Improvement and Extension Fund. Cash collections (excluding PFCs) during fiscal year 2002 were only 4.4% below the cash collected during the same period of fiscal year 2001.

All of the Authority's general revenue bonds and PFC bonds are secured by fully funded debt service reserve funds in accordance with the requirements of the 1978 Trust Agreement and the PFC Trust Agreement, respectively. In addition to funds held in these reserve funds, there was $167.3 million in the Improvement and Extension Fund available (as of June 30, 2002), if need be, to support the approximately $73 million in annual debt service on the Authority's general revenue bonds. Furthermore, in addition to the debt service reserve fund securing the PFC bonds, there was $30.9 million in the PFC Capital Fund (as of June 30, 2002) to support the roughly $19 million in annual debt service on the PFC bonds.

The rating agencies recognized the value of the Authority's actions, the strength of the Airport's origin and destination market, and the turbulence of these times in revising the Authority's ratings. Fitch downgraded the Authority's general revenue bonds from "AA" to "AA-" and assigned a stable outlook to the ratings; Fitch affirmed the "A" underlying rating of the PFC bonds. Moody's confirmed the Aa3 rating for the general revenue bonds, although they lowered the outlook from stable to negative; Moody's confirmed the A2 underlying rating on the PFC bonds and the P-1 rating for the Authority's commercial paper program. Standard and Poor's lowered its rating on the Authority's general revenue bonds from AA- to A+ with a stable outlook; lowered the underlying rating on the PFC bonds from A to A-; and affirmed the commercial paper rating of A-1+.

By adjusting to the changed circumstances quickly, the Authority has demonstrated its capacity to preserve its financial stability, meet its financial covenants, pay its financial obligations, continue operations, and adjust to the current state of operations that will likely continue to be below previous forecasts.

New Leadership

On April 11, 2002, Craig P. Coy was appointed as Massport's Executive Director and Chief Executive Officer. His credentials as a former Coast Guard pilot, White House Fellow specializing in national

security, and an MBA with a career leading private sector companies, fully satisfied the Authority's goals of securing an experienced, professional manager for the Authority. The appointment of John Quelch, a dean of the Harvard Business School who has served on numerous corporate boards, to serve as Chairman of Massport's Board, effective July 2002, continued that trend.

Security Initiatives

The Authority continues to evaluate and address the security of its facilities and has already undertaken numerous security initiatives including the following:

- Adding 61 troopers to State Police Troop F which is based at Logan Airport. In addition to State Police Troop F, additional public safety personnel from several law enforcement entities, including the U.S. Marshall's Office, U.S. Customs, the Massachusetts State Police, the Coast Guard and the National Guard, have been deployed at the Authority's facilities.
- Appointing Dennis Treece as Director of Corporate Security. Mr. Treece has extensive experience in intelligence and counter-terrorism with the U.S. Army, the CIA and in the private sector.
- Engaging consultants, including the former Director of Security at Ben Gurion Airport in Israel, to evaluate and make security recommendations regarding all of the Authority's facilities.
- Conducting counter-terrorism training for Airport employees.
- Installing security related improvements at the Airport, including additional closed circuit television cameras and monitors and explosion-proof trash receptacles.
- Augmenting security procedures for FAR Part 91 and unscheduled FAR Part 135 operators.
- Becoming the first major airport in the nation to have an inline 100% bag screening program approved. Logan Airport is expected to be one of the few major airports to meet the Transportation Security Administration ("TSA") Congressional mandate to implement 100% baggage screening by December 31, 2002. The TSA approved the Authority's plans to retrofit Terminals B, C, D and E for explosive detection systems that will be installed and operated by the TSA. In August 2002, the Authority's Board approved the expenditure of up to $146 million required for construction of these systems. In September 2002, the FAA awarded a $30 million grant to the Authority to reimburse a portion of the cost of this construction.
- Installing the first document authentication system at an American airport.
- Undertaking other actions including reissuance/recertification of security badges accompanied by additional training and instituting more stringent regulations governing airfield access as well as more severe penalties for violations of security regulations.

The security improvements at the Airport go well beyond FAA directives and are among the most aggressive in the nation. The Authority intends that its facilities, including Logan Airport, will be among the most secure in the country.

FINANCIAL INFORMATION

The financial information included in the Financial Section of this report presents the financial position of the Authority as of, and for the fiscal year ended June 30, 2002. The concept of financial position focuses on existing resources and claims upon those resources.

Accounting System and Budgetary Control

The Authority follows accounting principles generally accepted in the United States of America applicable to governmental enterprise funds. Accordingly, the Authority's financial statements are prepared on an accrual basis of accounting.

For fiscal year 2001, the Authority adopted GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. GASB Statement No. 33 requires that items of contributed capital be recorded as nonoperating revenue in the statement of revenues, expenses and changes in net assets.

For fiscal year 2002, the Authority adopted the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.*

To provide the Authority with reasonable assurance that its financial resources are safeguarded against waste, loss, and misuse, and that reliable accounting and financial data are recorded, maintained, and fairly disclosed in reports, the Authority has developed an internal control structure. The current internal controls provide the Authority with a solid base of reliable financial and accounting records from which financial statements are prepared. The Authority's Internal Audit Department conducts routine as well as special financial and performance audits of various Authority operations to strengthen and supplement this internal control structure, and to ensure that the Authority is operating efficiently and effectively while providing the desired services in an expeditious manner. The concept of reasonable assurance is based on the recognition that the cost of controls should not exceed the relative benefit of such controls, and requires estimates and judgment by management.

Management has established and maintains disclosure controls and procedures to ensure that material information required to be disclosed by the Authority in its CAFR is recorded, processed, summarized and reported to management in a timely manner. Management has reviewed the Authority's current disclosure controls and procedures within the past ninety days and believes that such disclosure controls and procedures are adequate in order to record, process, summarize and report to management in a timely manner material information required to be disclosed by the Authority in its CAFR.

An annual budget is prepared on the basis established by the 1978 Trust Agreement. The budgets are on a non-GAAP basis. Budgetary control and evaluation are effected by comparing actual interim and annual results with the budget. The Authority compares budget and non-GAAP actual financial statements on a monthly basis and prepares GAAP financial statements on a quarterly basis and presents the statements to the Authority's Members. As discussed above, in light of the reduction in revenues after September 11th, the fiscal year 2002 annual budget was revised. The goals of the revised budget included preserving fiscal stability, meeting the Authority's financial covenants and adjusting to the anticipated steady state of operations that were expected to continue below previous forecasts.

Single Audit

As the recipient of federal financial assistance, the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. This internal control is subject to periodic evaluation by management and the internal audit staff of the Authority. The Authority's single audit for the fiscal year ended June 30, 2002 noted no matters involving the internal control over the Authority's financial reporting and its operation that were considered to be material weaknesses.

Passenger Facilities Charge

In 1993, the Authority's application to levy a PFC of $3.00 was approved by the FAA. The charge has been imposed on tickets sold on and after November 1, 1993. In February 1998, the FAA authorized the Authority to increase its collections to $927.4 million. The FAA has approved use of PFCs by the

Authority to finance the Authority's Residential Sound Insulation Program, the Terminal E Modernization project, the Circulating Roadways project, the Elevated Pedestrian Walkways project, and the International Gateway project. Upon the issuance of the Authority's PFC Revenue Bonds, Series 1999A and 1999B (the "PFC Bonds") in May 1999, the Authority's PFCs were pledged pursuant to the PFC Trust Agreement to support the PFC Bonds and to fund construction of eligible portions of the projects described above. In the event that PFC Bond proceeds, PFCs and other funding sources are inadequate to meet anticipated project costs, projects may be deferred, altered, or canceled.

Historically, PFC collections have grown from $31.2 million in fiscal year 1995 to $36.3 million in fiscal year 2001. However, due to the significant reductions in enplanements at Logan Airport in fiscal year 2002, PFC collections in fiscal year 2002 declined by approximately 19% from fiscal year 2001 to $29.4 million. Please refer to the PFC Revenue line of the nonoperating revenues set forth in Table S-1 in the Statistical Section for an historical statement of PFC collections.

Cash and Investment Management

All investments of Authority funds are made in accordance with the investment policy adopted in 2000 by the Members of the Authority. The Authority is authorized by the 1978 Trust Agreement and the PFC Trust Agreement to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, in bonds or notes of public agencies or municipalities, in the Massachusetts Municipal Depository Trust (MMDT), in bank time deposits, and in repurchase agreements. All investments are held on behalf of the Authority by the Authority's trustees or a custodian, but managed by the Authority.

The certificates of deposit and the repurchase agreements are collateralized by obligations of the U.S. Government or agencies of the U.S. Government. The 1978 Trust Agreement and the PFC Trust Agreement require that securities underlying repurchase agreements at the time of purchase have a fair value at least equal to the cost of the agreement plus accrued interest.

Certain funds that will be used for bond reserve requirements and capital projects are invested in long-term instruments. An annual cash flow projection is developed for all capital projects and bond funds. Investment maturities are scheduled to comply with the investment goals of the Authority's investment policy, which are, in descending order of priority, (1) to preserve capital, (2) to provide liquidity to meet payment obligations, and (3) to generate interest income.

Pension and Retirement Fund Operations

Chapter 487 of the Massachusetts Acts of 1978 ("C. 487") provided for the establishment of the Massachusetts Port Authority Employees' Retirement System (the "Plan"), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to 1978, Authority employees were members of the state employees' system, and the funding of the pension liability was on a "pay-as-you-go" method. Pursuant to C. 487, the Authority employees' rights and benefits under the state plan were transferred to the Plan, and the Authority established a separate pension fund. The Plan is a single employer plan which provides retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries, and contingent annuitants. The Plan is a contributory defined benefit plan to which the Authority and its employees contribute such amounts as are necessary, on an actuarial basis, to provide assets sufficient to meet benefits to be paid to Plan participants. Total contributions from employees to the Plan were $6,015,000 for the Plan Year ended December 31, 2001.

Risk Management

Under the 1978 Trust Agreement, the Authority is required to maintain a risk management and insurance program that is substantially in compliance with the recommendations of a Risk Management Consultant. The Authority maintains a risk management program consisting of procedures for risk transfer where practical and purchasing of property and casualty insurance, including business interruption coverage, where the cost is reasonable. The Authority also self-insures certain risks, such as workers' compensation, for both the Authority's employees and employees involved in the Authority's Owner Controlled Insurance Program. Both of these self-insured programs are administered with the assistance of a third-party administrator. The funding for deductibles and self-insured retentions is maintained in a dedicated self-insurance account. See Table S-4 for a summary of the Authority's coverages and insurance providers.

Contingent Liabilities

As of November 1, 2002, the Authority is aware of 14 lawsuits pending against the Authority and other entities relating to the September 11th terrorist attacks. In addition, the Authority has been served with multiple Notices of Claim related to the terrorist attacks. The Aviation and Transportation Security Act, passed in November 2001, limits the liability of various entities, including airport sponsors such as the Authority, for the events of September 11th at the limit of each entity's liability insurance coverage. The Authority has liability insurance in effect to cover the incidents of September 11th in the amount of $500,000,000 per occurrence. Furthermore, to the Authority's knowledge, its insurer has agreed to defend any such claims and has not reserved its rights to deny coverage with respect to any of those claims.

On October 9, 2002, the Authority was served with a complaint alleging damages arising from the terminal area roadways construction contract. While the complaint does not specify the amount of damages alleged, the Authority believes that the damages sought could be significant. Based on a preliminary review of the complaint, the Authority believes it has meritorious defenses in this action, and it will continue to review and assess the various claims asserted. While the Authority cannot predict the outcome of this case, the Authority does not believe that the outcome will materially affect the Authority's results of operations or financial condition.

OTHER INFORMATION

Independent Audit

Pursuant to the 1978 Trust Agreement, an audit of the Authority's financial statements for fiscal year 2002 has been completed by the Authority's independent auditors, PricewaterhouseCoopers LLP. Their report is included herein.

Additional Information

For additional information concerning the Authority, please see the Authority's award winning website, www.massport.com. Financial information can be found in the Investor Relations section of the website by clicking on "About Massport", and then clicking on "Who We Are". The Authority's Annual Statement of Financial Information and Operating Data for fiscal year 2002 (the "Annual Update") will be filed with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") designated by the Security and Exchange Commission ("SEC") in satisfaction of the Authority's obligations under SEC Rule 15c2-12 with respect to certain bonds issued pursuant to the 1978 Trust Agreement and the PFC Trust Agreement. Copies of the Annual Update are also available from the

Authority. Copies of the Annual Statement prepared pursuant to Rule 15c2-12 with respect to the Authority's bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for prior years are available from the NRMSIRs and from the Authority. The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 426-2800. Questions may be directed to Leslie A. Kirwan, the Authority's Director of Administration and Finance and Secretary-Treasurer.

Acknowledgments

The completion of this report could not have been accomplished without the efficient and dedicated services of the entire Administration and Finance Department, the Communications Department, and the Legal Department. We would like to express our appreciation to all members of these departments who assisted and contributed to its preparation.

Very truly yours,

Craig P. Coy
Chief Executive Officer

Leslie A. Kirwan
Director of Administration and Finance
Secretary-Treasurer

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Massachusetts Port Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

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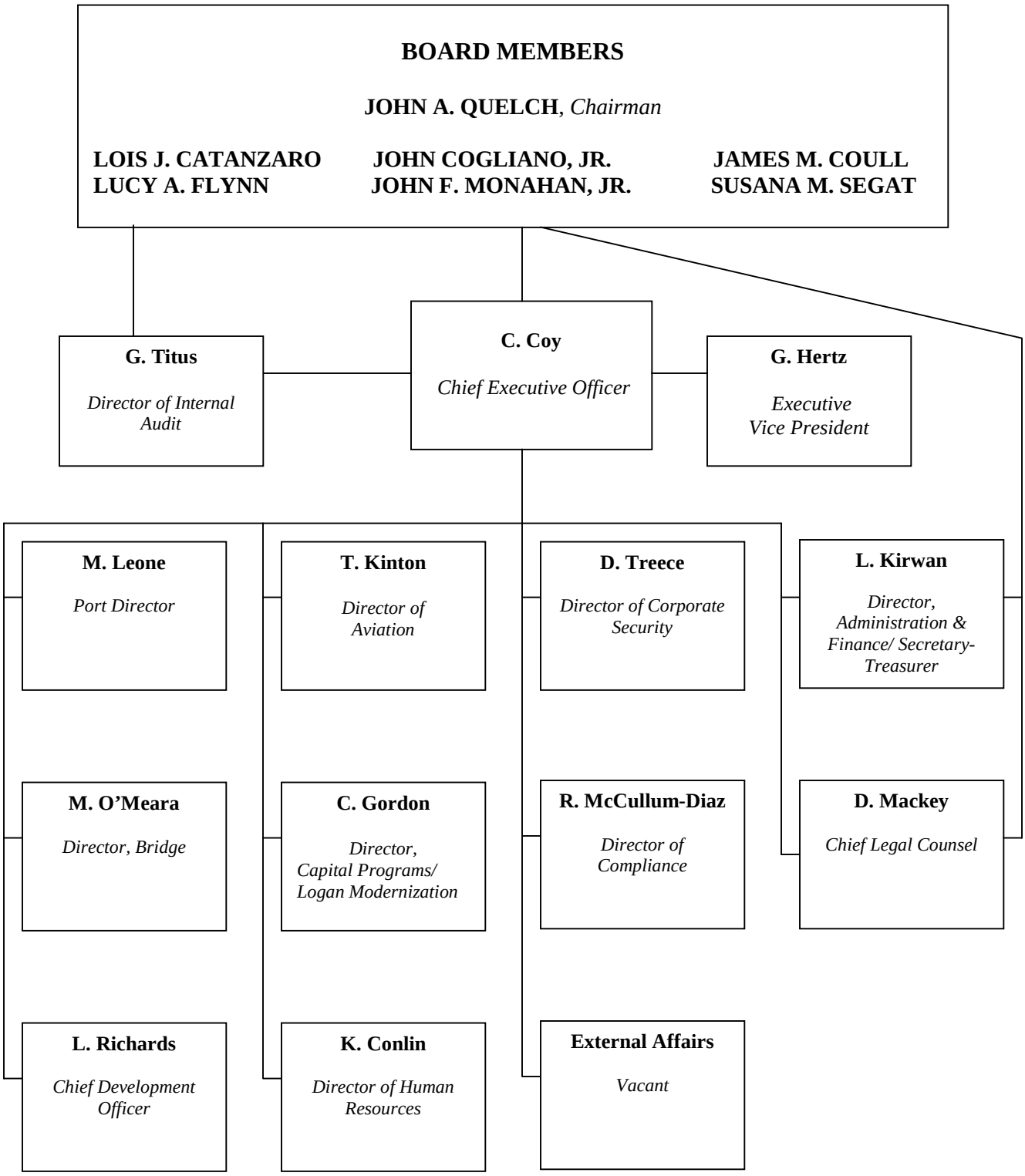
MASSACHUSETTS PORT AUTHORITY

ORGANIZATION CHART



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Authority Board Members

The Authority consists of seven members appointed by
the Governor of Massachusetts to staggered terms of seven years each.
Members serve without compensation.

John A. Quelch Chairman
James M. Coull Vice Chairman
Lois J. Catanzaro
John Cogliano, Jr.
Lucy A. Flynn
John F. Monahan, Jr.
Susana M. Segat

Executive Staff

Craig P. Coy Chief Executive Officer
George Hertz Executive Vice President
Leslie A. Kirwan Director of Administration and Finance/Secretary-Treasurer

Kathleen Conlin Director of Human Resources
Christopher M. Gordon Director/Capital Programs/Logan Modernization
Thomas J. Kinton, Jr. Director of Aviation
Michael Leone Port Director
Robin McCullum-Diaz Director of Compliance
David S. Mackey Chief Legal Counsel
Mary Jane O'Meara Bridge Director
Lowell L. Richards, III Chief Development Officer
Gail Titus Director of Internal Audit
Dennis Treece Director of Corporate Security

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Massachusetts Port Authority

Financial Statements with
Management's Discussion and Analysis
June 30, 2002 and 2001

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PRICEWATERHOUSECOOPERS

Report of Independent Accountants

PricewaterhouseCoopers LLP
One International Place
Boston MA 02110
Telephone (617) 478 5000
Facsimile (617) 478 3900

To the Members of the Massachusetts Port Authority:

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses and changes in net assets, and cash flows present fairly, in all material respects, the financial position of the Massachusetts Port Authority (the "Authority") (a public instrumentality of The Commonwealth of Massachusetts) at June 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, in 2002 the Authority adopted the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* effective July 1, 2000.

The Management's Discussion and Analysis on pages 23 through 34 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information presented on pages 67 to 69 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

September 25, 2002

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MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Introduction

The following discussion and analysis of the financial performance and activity of the Massachusetts Port Authority (the "Authority") is intended to provide an introduction to and an overview and analysis of the basic financial statements of the Authority for the year ended June 30, 2002 with selected comparative information for the year ended June 30, 2001. The management of the Authority has prepared this discussion and it should be read in conjunction with the financial statements and the notes thereto, which follow this section. Management has established and maintains disclosure controls and procedures to ensure that material information required to be disclosed by the Authority in its annual financial statements is recorded, processed, summarized and reported to management in a timely manner. Management has reviewed the Authority's current disclosure controls and procedures within the past ninety days and believes that such disclosure controls and procedures are adequate in order to record, process, summarize and report to management in a timely manner material information required to be disclosed by the Authority in its annual financial statements.

The Authority was created by and exists pursuant to Chapter 465 of the Massachusetts Acts of 1956 (as amended to date, the "Enabling Act"), and is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth"). The Enabling Act and the Trust Agreement dated as of August 1, 1978, as amended (as so amended, the "1978 Trust Agreement") between the Authority and State Street Bank and Trust Company, as trustee, and the PFC Revenue Bond Trust Agreement, dated as of May 6, 1999, as amended (as so amended, the "PFC Trust Agreement") between the Authority and The Bank of New York, as trustee, govern the disposition of cash revenues to the various funds established under the 1978 Trust Agreement and the PFC Trust Agreement, and restrict the use of revenues credited to such funds. The Enabling Act provides that the Authority shall consist of seven Members appointed by the Governor of the Commonwealth. The Authority's financial statements are not a component of the Commonwealth's financial statements.

The Authority's facilities include airport properties, consisting of Boston-Logan International Airport (the "Airport" or "Logan Airport") and Laurence G. Hanscom Field ("Hanscom Field"); the Maurice J. Tobin Memorial Bridge (the "Bridge"); and various port properties (the "Port"), located in Charlestown, South Boston, and East Boston. The Authority also operates the Worcester Regional Airport pursuant to an operating agreement (the "Worcester OA") among the Authority and the City of Worcester, Massachusetts and the Worcester Airport Commission.

Logan Airport is the most active airport in New England and provides both international and domestic commercial service. It is the primary source of the Authority's revenues and net revenues. Hanscom Field is the region's premier general aviation airport and provides niche commercial service. Worcester Regional Airport serves the air transport needs of Massachusetts's second largest city. The Port of Boston is New England's major port and provides a full range of services, from cruise ship to container ship handling. The Bridge is one of Greater Boston's primary cross-harbor roadway connections and is a part of U.S. Route 1. In addition to operating its facilities, the Authority is committed to providing the modern transportation infrastructure necessary to support the needs of Boston, Massachusetts and New England. To that end, beginning in 1995, the Authority engaged in a $3.7 billion, ten-year capital program to modernize its facilities, especially Logan Airport and the Port of Boston.

The Authority is self-supporting and uses revenues from landing fees, fees from terminal and other rentals, revenues from concessions, Bridge tolls, ground rents, and other fees and charges to fund operating expenses. The Authority has no taxing power and is not taxpayer funded. The Authority's capital program is funded by bonds and notes issued by the Authority, federal grants, and Authority revenues, including Passenger Facility Charges ("PFCs"). The Authority's bonds are secured solely by the Authority's revenues.

The Financial Statements

The Authority's financial report includes three financial statements: the Balance Sheets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). For the fiscal year ended June 30, 2001, the Authority adopted GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* ("GASB 33") and for the fiscal year ended June 30, 2002 adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* ("GASB 34") as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The periods presented have been restated to conform with these new standards.

The Balance Sheets demonstrate that the Authority's assets equal liabilities plus net assets. The net assets are displayed in three components – invested in capital assets, net of related debt; restricted; and unrestricted. The component of net assets comprising invested in capital assets, net of related debt, includes restricted capital assets, is net of accumulated depreciation and reduced by the outstanding balances of any outstanding debt that is attributable to the acquisition, construction or improvements of those assets. The Authority's capital assets, net of accumulated depreciation, of $1.8 billion are reduced by related outstanding debt of $1.2 billion for a net investment in capital assets of $585 million.

GASB 33 requires that non-exchange transactions (such as federal grants) and exchange-like transactions (such as PFCs) be recognized as non-operating revenue. The Authority's adoption of GASB 33 eliminated the direct reporting of grants on the Authority's Balance Sheets. The Statements of Revenues, Expenses and Changes in Net Assets categorize revenues and expenses as either operating or non-operating based upon management's policy as established in accordance with definitions set forth in GASB's 33 and 34. Significant recurring sources of the Authority's revenues, including PFCs, investment income and federal grants, are reported as non-operating revenues. Operating revenue for the years ended June 30, 2002 and 2001 totaled $315.7 million and $326.9 million, respectively. Operating expense for the years ended June 30, 2002 and 2001 totaled $298.7 million and $290.5 million, respectively. Non-operating revenue for fiscal year 2002 totaled $49.2 million. Non-operating revenue for fiscal year 2001 was $66.9 million. Non-operating expense, comprising interest expense, totaled $40.6 million and $35.7 million for the years ended June 30, 2002 and 2001, respectively.

The Statements of Cash Flows present information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classify cash receipts and cash payments as resulting from operating activities, capital and related financing activities, and investing activities. Cash and cash equivalents on June 30, 2002 were $91.9 million and on June 30, 2001 were $80.2 million.

Authority's Activity Highlights

As a result of the terrorist attacks on September 11, 2001, all air traffic in the United States was temporarily suspended, and Logan Airport was closed for four days. The Authority derives revenues, in part, from activity-based sources, such as parking, rental car commissions, landing fees and international passenger fees. The events of September 11th reduced activity and consequently had a significant adverse affect on the financial performance of the Authority. Furthermore, following September 11th, the FAA instituted numerous security measures for all U.S. airports, including Logan Airport, Hanscom Field and Worcester Regional Airport, which increased the Authority's operating expenses. These measures include, but are not limited to, prohibiting all unticketed persons beyond security checkpoints, enhancing the search and screening of all passengers and baggage, increasing the number of security and law enforcement personnel, and restricting the parking of vehicles near terminals, including the closing of certain parking facilities at Logan Airport for a period of time. In addition, Congress enacted legislation to address the financial impact of these attacks on the aviation industry, limit the liability of air carriers, airport operators and others, and strengthen aviation security.

The Authority's major initiatives in fiscal year 2002 included responding to the tragic events of September 11, 2001, which, combined with the national economic slow-down during the fiscal year, had a significant adverse effect on the Authority's finances. The Authority's financial recovery plan, adopted in response to the events of September 11th, is discussed under *Budget Highlights*, below. A brief description of the capital program, including significant security enhancements, during fiscal year 2002 is also set forth below.

On April 11, 2002, Craig P. Coy was appointed by the Members of the Authority as the Chief Executive Officer of the Authority, and following the close of the fiscal year, in July of 2002, John A. Quelch was appointed the Chairman of the Authority by Acting Governor Jane Swift.

Activity highlights for the Port of Boston in fiscal 2002 included securing a direct ocean call from Asia with China Ocean Shipping Company ("COSCO") providing a direct vessel call into the Port of Boston beginning in March, 2002.

Activity reported by the airlines at Logan Airport for fiscal year 2002 was significantly less than the prior year. For fiscal year 2002, approximately 22 million passengers used Logan Airport, a 19% decrease from fiscal year 2001, although trends showed improvement as the fiscal year progressed. Landed weights at the Airport were also significantly below the prior year. Landed weights for fiscal year 2002 were 20% below the original predictions for the year, and 18% below those in fiscal year 2001.

Logan Airport Enplanements and Operations Activity for FY 2002 & 2001

	2002	2001
Enplanements		
Domestic	9,121,999*	11,281,488*
International	1,904,246	2,377,178
General Aviation	46,302	57,985
Total Enplanements	11,072,547	13,632,824
Aircraft Operations (take-offs and landings)	409,000*	495,504*
Landed Weights (1,000 pounds)	19,871,952	24,324,198

*Revised November 15, 2002

Financial Highlights

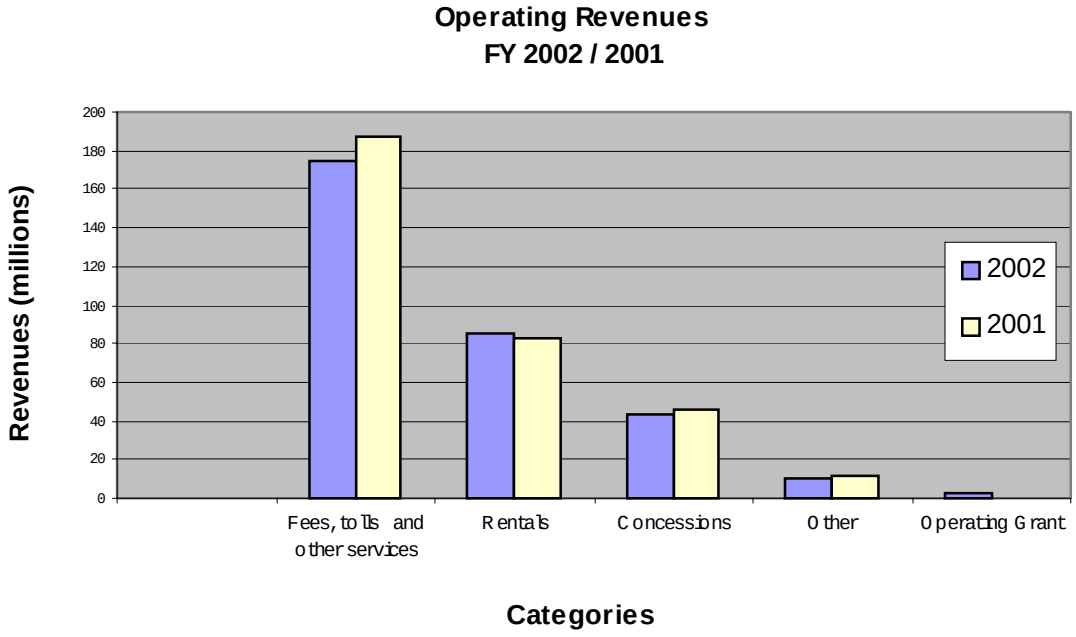
The financial results for fiscal year 2002 were significantly affected by the events of September 11, 2001, as well as the national economic slowdown that began before September 11, 2001. Because the Authority's revenues are largely derived from the operations at Logan Airport, and are thus significantly affected by the number of passengers and aircraft operations, both of which were reduced after September 11, 2001, the Authority commenced immediate actions to manage both its revenues and expenses following September 11th. On October 11, 2001, the Authority adopted a revised budget as part of a financial recovery plan (see *Budget Highlights* below).

The final results for fiscal year 2002 were better than forecasted in the financial recovery plan. Revenues, calculated in accordance with the 1978 Trust Agreement (see Note B to the Financial Statements), were $327.5 million, approximately $21.9 million more than projected in the financial recovery plan, and actual operating expenses were $201.4 million, nearly $1.9 million less than projected in October 2001. Operating expenses were reduced by a reduction in staff of approximately 15% through an early retirement program and layoffs; a reduction in certain services contracts, including building cleaning and bus frequencies; and reduced utility and snow removal expenses due to a mild winter; but were also affected by significant increases in costs for security services, principally the cost of additional public safety personnel and related overtime. As permitted by the 1978 Trust Agreement, the financial recovery plan also reduced the amount deposited to the Maintenance Reserve Fund (from approximately 1 ½% to 1% of the replacement cost of the Authority's facilities) and the Payment in Lieu of Taxes Fund. In addition, revenues were enhanced through an increase in parking fees on November 12, 2001 from $18 to $22 per day; the reopening of the Terminal B parking garage on January 15, 2002; and an increase on January 1, 2002 in the tolls for use of the Bridge (tolls for passenger cars increased from $1 to $2).

A summary of revenues and expenses, calculated according to Generally Accepted Accounting Principles ("GAAP"), for fiscal year 2002, as compared to 2001, is set forth below. In addition, please note that a federal grant was received on May 30, 2002 for a portion of the additional operational costs of providing additional security services. Unlike grants in aid of capital projects, which are treated as non-operating revenue, this payment is reflected as operating revenue.

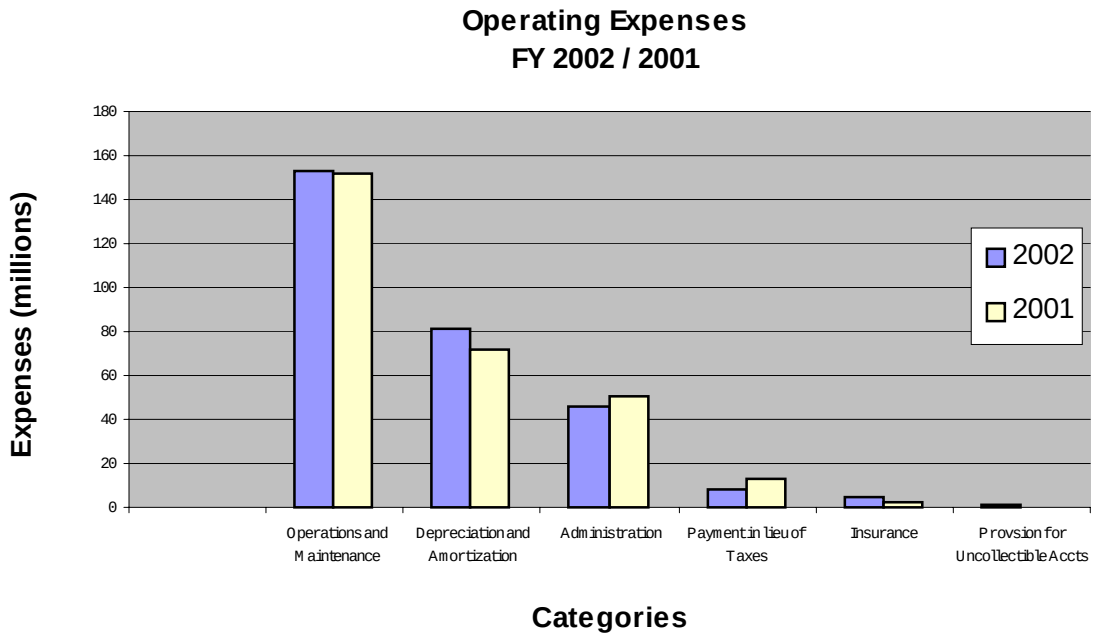
Operating Revenues (in millions)	**2002**	**2001**	**Increase (Decrease) from 2001**	**Percent of Increase (Decrease) from 2001**
Fees, tolls and other services	$ 174.5	$ 187.4	$ (12.9)	(7%)
Rentals	85.1	82.8	2.3	3%
Concessions	42.7	45.5	(2.8)	(6%)
Other	10.7	11.2	(.5)	(5%)
Operating grant	2.7	-	2.7	100%
Total	$ 315.7	$ 326.9	$ (11.2)	(3%)

The following is a graphic illustration of operating revenues according to GAAP by source for the year ended June 30, 2002:



Total Operating Expenses (in millions)	2002	2001	Increase (Decrease) from 2001	Percent of Increase (Decrease) from 2001
Operations and maintenance	$ 153.4	$152.2	$1.2	1%
Administration	46.0	51.0	(5.0)	(10%)
Insurance	4.3	2.9	1.4	48%
Payments in lieu of taxes	12.2	13.0	(.8)	(6%)
Provision for uncollectible accounts	1.3	.1	1.2	1200%
Depreciation and amortization	81.5	71.3	10.2	14%
Total	$ 298.7	$290.5	$8.2	3%

The following is a graphic illustration of the total operating expenses according to GAAP by type for the year ended June 30, 2002:



The fiscal year 2002 operating revenue for the Authority was $315.7 million, a decrease of $11.2 million when compared to the prior fiscal year. Non-operating revenues of $49.2 million decreased by $17.7 million from 2001, primarily due to decreased investment income and PFC revenues. Interest expense of $40.6 million for fiscal year 2002 increased by $4.9 million over the prior year, principally from higher interest expense due to less interest capitalized, as a result of less capital expenditures compared to the prior year.

Non-operating revenues include PFCs and federal grants. Since September 11th the collection of PFCs has been adversely affected by lower enplanement activity. PFC collection in fiscal year 2002 of $29.4 million was 19% lower than PFC revenues of $36.3 million in fiscal year 2001.

Changes in Net Assets

The change in net assets is an indicator of whether the overall fiscal condition of the Authority has improved or worsened during the year. The changes in net assets for the years ended June 30, 2002 and 2001 were $41 million and $80 million, respectively. This reflects the decrease in operating revenue during fiscal year 2002 associated with the impact of September 11th and the national economy, and the increase in operating expenses during fiscal year 2002 largely due to increased security expenses.

The following is a summary of the Statement of Revenues, Expenses and Changes in Net Assets:

	(in millions) 2002	2001
Operating Revenue	$ 315.7	$ 326.9
Operating Expense	(298.7)	(290.5)
Operating Income	$ 17.0	$ 36.4
Non-Operating Revenue	49.2	66.9
Non-Operating Expense	(40.6)	(35.7)
Non-Operating Income	8.6	31.2
Capital Grant Revenue	15.4	12.8
Change in Net Assets	$ 41.0	$ 80.4

Balance Sheets

The Balance Sheets present the financial position of the Authority at the end of the fiscal year. The Statement includes all assets and liabilities of the Authority. Net assets is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, liabilities and net assets at June 30, 2002 and 2001 is as follows:

	(in millions) 2002	2001
Assets		
Current assets	$ 118.3	$ 120.6
Non-current assets		
Capital assets, net	1,779.1	1,671.5
Other non-current assets	553.3	632.0
Tot9al Assets	$ 2,450.7	$ 2,424.1
Liabilities		
Current liabilities	$ 117.4	$ 97.3
Non-current liabilities		
Long-term debt outstanding and other restricted	1,213.1	1,243.3
Other non-current liabilities, unrestricted	46.6	50.9
Total Liabilities	$ 1,377.1	$ 1,391.5
Net Assets		
Invested in capital assets, net of debt	$ 615.0	$ 550.6
Restricted	402.9	432.4
Unrestricted	55.7	49.6
Total Net Assets	$ 1,073.6	$ 1,032.6
Total Liabilities and Net Assets	$ 2,450.7	$ 2,424.1

The Authority's level of net assets increased slightly despite the negative impact of September 11th and the downturn in the economy. The Authority ended the fiscal year with assets of $2.4 billion and liabilities of $1.3 billion.

The Authority has investments in facilities of $1.8 billion, including both fully completed facilities and construction-in-progress, an increase of $107.6 million from 2001. The Authority's capital assets are principally funded by the proceeds of revenue bonds, Authority revenues, capital contributions from federal grants and PFCs. Assets, other than capital assets which are stated at historical cost less an allowance for depreciation, and liabilities are measured using current values. Major projects substantially completed in fiscal 2002 were the expansion of the central heating and cooling plant and the walkway from the Central Garage to Terminal B. Average monthly capital construction spending in fiscal 2002 was approximately $13.8 million.

In fiscal year 2002 the Authority issued $6 million in commercial paper. Long-term debt outstanding decreased by $30.2 million due to principal payments made. Current liabilities increased by $20.1 million, principally related to accrued expenses and retainage of capital projects.

Net assets, which represent the residual interest in the Authority's assets after liabilities are deducted, were $1.1 billion at June 30, 2002, an increase of $41.1 million from 2001. Invested in capital assets, net of related debt, increased by $64.5 million to $615.0 million. The Authority's restricted assets of $402.9 million as of June 30, 2002, are subject to the pledge of the 1978 Trust Agreement or the PFC Trust Agreement. The remaining unrestricted assets of $55.7 million are deposited in the Improvement and Extension fund and may be used for any lawful purpose of the Authority, and have been fully committed to support the Authority's capital program.

Budget Highlights

The Authority is required to prepare its budget according to the 1978 Trust Agreement rather than according to GAAP. The annual budget includes the projected operating expenses, as well as projected revenue of the Authority, and also sets forth the deposits to the funds established under the 1978 Trust Agreement necessary to meet the covenants set forth therein. The 1978 Trust Agreement also provides that the Authority may at any time adopt an amended or supplemental budget for the remainder of the then current fiscal year.

On June 21, 2001, the Authority adopted a budget for fiscal year 2002 that projected revenues of $364.1 million and operating expenses of $226.6 million. As a result of the events of September 11th, the Authority adopted an amended budget on October 11, 2001 that reduced both projected revenues and expenses. In addition, as permitted by the 1978 Trust Agreement, the financial recovery plan also reduced the amounts deposited to the Maintenance Reserve Fund and the Payment in Lieu of Taxes Fund. The revised budget was based upon the assumption that, on average, the number of passengers using Logan Airport for fiscal year 2002 would be 70% of the originally expected levels for FY 2002 and that parking revenue would be 65% of the prior fiscal year. The resulting revised budget, which was established on the basis of revenues and expenses as calculated pursuant to the 1978 Trust Agreement, projected revenues of $305.6 million (reduced from $364 million) and operating expenses of $203.3 million (reduced from $226.6 million).

FY2002 Budget vs. Actual Results
(Per 1978 Trust Agreement)
(in millions)

	FY2002 Initial Budget	FY2002 Revised Budget	FY2002 Actual Results
Operating Revenues	$364.1	$305.6	$327.5
Operating Expenses	$226.6	$203.3	$201.4

Logan Airport is the principal source of the Authority's operating revenues, operating income and net revenue. Unlike many airport operators, the Authority is not constrained by contractual arrangements with the air carriers serving the Airport governing the incurrence of aeronautical costs and the recovery of such costs in the landing fee and terminal rentals. Instead, landing fees, terminal rentals and charges for heating and cooling are set annually by a resolution of the Members of the Authority on a compensatory basis to cover direct and allocated capital, administration, maintenance and operating costs. Accordingly, each October, the Authority establishes the landing fee for the Airport per thousand pounds of landed weight and the rental rates for the terminals, based upon historic capital costs and projected landed weights, and the budgeted direct and allocable indirect operating costs of providing these facilities for that fiscal year, plus an adjustment for the actual versus the prior year's budgeted revenues and expenses. In addition, as discussed above, the Authority retains the ability to adjust parking rates, Bridge tolls and other fees and charges for use of its facilities.

Cash and Investment Management

The Authority's cash and cash equivalents increased to $91.9 million for the year ended June 30, 2002 from $80.2 million for the year ended June 30, 2001. Cash and cash equivalents are considered highly liquid investments with an original maturity of thirty (30) days or less.

The following summary shows the major sources and uses of cash:

	(in millions) 2002	2001
Net cash provided by operations	$ 100.9	$ 116.7
Net cash used in capital and related financing activities	(212.2)	(278.7)
Net cash provided by investing activities	123.0	158.6
Net increase (decrease) in cash and cash equivalents	11.7	(3.4)
Cash and cash equivalents, beginning of year	80.2	83.6
Cash and cash equivalents, end of year	$ 91.9	$ 80.2

Cash received during the year or required for the needs of the Authority was invested in demand deposits, the Massachusetts Municipal Depository Trust (MMDT), U.S. Government and agency obligations, repurchase agreements collateralized by U.S. Government or agency obligations,

certificates of deposit, and other permitted investments under the 1978 Trust Agreement or the PFC Trust Agreement. During fiscal 2002, the Authority's average portfolio balance of funds held under the 1978 Trust Agreement was $437.1 million and the average yield on investments was 3.71%. During fiscal 2002, the Authority's average portfolio balance of funds held under the PFC Trust Agreement, other than bond funds held for construction, was $173.8 million and the average yield on investments was 5.38%.

Certain funds held as debt service reserves as required by PFC Trust Agreement are invested in long-term instruments. An annual cash flow projection for capital projects is developed for all bond proceeds as well as for the Maintenance Reserve, Improvement & Extension funds and the PFC Capital Fund and investments are matched to maximize investment income while ensuring cash is available for capital project expenses.

All investments must be made pursuant to the investment policy adopted in 2000 by the Members of the Authority. The majority of the Authority's funds, including investments, are held by the Trustees under the 1978 Trust Agreement or the PFC Trust Agreement, respectively, or custodians for such Trustees, and are invested at the direction of the Authority. An investment committee meets monthly to review projected cash flow needs and investments, and an investment oversight committee meets quarterly to review the Authority's existing portfolios for compliance with the investment policy and comparability with external benchmarks, and to revise the existing investment strategies for the Authority's various funds, if necessary.

The Authority's Capital Program

In response to the financial downturn following September 11th, the Authority initiated a careful review of all of its current and planned capital projects and, as a result, the Authority reduced the capital program for fiscal years 2002 and 2003 by 37%. However, the Authority continued construction of all projects currently underway, as well as commenced the Authority's portions of the renovation of Terminal A that is being primarily undertaken by Delta Air Lines. This revision was possible in part because of the modular nature of the Authority's capital program, which consists of a series of projects that are designed to be built and financed independently of each other.

In addition, the Authority has undertaken a number of new security initiatives, the most ambitious of which are the terminal retrofits required to house the Transportation Security Administration's ("TSA") new baggage screening equipment and personnel. In June 2002, the Airport became the first U.S. airport to receive the TSA's approval for its hold baggage screening program, and less than three weeks later the Authority commenced construction of up to $146 million of terminal retrofits required to house the TSA's program.

During fiscal year 2002, the Authority expended $165.6 million in its on-going capital program. Major projects substantially completed in fiscal 2002 were the expansion of the central heating and cooling plant and the walkway from the Central Garage to Terminal B. Major projects that began construction in fiscal 2002 at the Airport were the terminal retrofits to accommodate the TSA's explosive detection systems and the demolition and reconstruction of Terminal A. Major projects that continued construction in fiscal year 2002 that are scheduled for completion in fiscal year 2003 or beyond at the Airport, including the moving walkways from the Central Garage to Terminal C, the South Addition to the International Gateway at Terminal E and certain Terminal Area Roadway improvements. Following the close of the fiscal year, the walkway from the Central Garage to Terminal C opened on July 26th, and Logan Airport's new two-level outbound roadway opened on August 3, 2002, although construction continues on various other roadway elements.

Capital Financing and Debt Management

As of June 30, 2002, outstanding obligations of the Authority issued pursuant to the 1978 Trust Agreement and the PFC Trust Agreement totaled approximately $1.2 billion (excluding special facilities revenue bonds issued on behalf of and payable by certain borrowers). In fiscal year 2002, the total amount deposited to pay debt service on obligations issued pursuant to the 1978 Trust Agreement including subordinate obligations was an aggregate of principal and interest of $81.4 million, while the total amount deposited to pay debt service on bonds issued pursuant to the PFC Trust Agreement was an aggregate of principal and interest of $21.5 million.

Credit Ratings:
During fiscal year 2002, as a result of the financial impact of the events of September 11th on the aviation industry in general and the Authority in particular, the ratings on the Authority's bonds were reviewed by each rating agency currently maintaining a rating on the Authority's bonds. In February 2002, Moody's Investors Service ("Moody's") confirmed its Aa3 ratings on the Authority's revenue bonds, and the underlying A2 ratings on the Authority's PFC Revenue Bonds, both with a negative outlook. On March 1, 2002, Standard & Poor's ("S&P") reduced its rating on the Authority's revenue bonds to A+ from AA- and its underlying rating on the PFC Revenue Bonds to A-, each with a stable outlook. Finally, on May 7, 2002, Fitch lowered its rating on the Authority's revenue bonds to AA- from AA with a stable outlook, and affirmed its A underlying rating on the PFC Revenue Bonds. The Authority's PFC Revenue Bonds are insured by Financial Security Assurance Inc. and are rated AAA, Aaa and AAA, as insured, by each of Fitch, Moody's, and S&P, respectively. The Authority's Commercial Paper Notes are rated A-1+ and P-1 by S&P and Moody's, respectively, based on credit enhancement provided by WestLB.

Authority Obligations:
The following is a summary of outstanding obligations issued by the Authority as of June 30, 2002:

Revenue Bonds

- The Authority had 14 series of Revenue Bonds (including Revenue Refunding Bonds) outstanding pursuant to the 1978 Trust Agreement in a total principal amount of $912.6 million.
- The Authority had six series of Subordinated Revenue Bonds, in the aggregate principal amount of $74 million, outstanding pursuant to the 1978 Trust Agreement.

Commercial Paper

- The total amount of Commercial Paper Notes outstanding pursuant to the 1978 Trust Agreement was $31 million as of June 30, 2002.
- The total amount of Commercial Paper Notes authorized was up to $100 million.
- The Authority's Commercial Paper Notes are secured by a line of credit issued by Westdeutsch Landesbank Girozentrale, New York Branch ("West LB") in a principal amount of $100 million.

PFC Revenue Bonds

- The Authority has issued two series of PFC Revenue Bonds pursuant to the PFC Trust Agreement, with $240.5 million outstanding.

Special Facilities Revenue Bonds

- On August 16, 2001, the Authority issued approximately $497.6 million in aggregate principal amount of its Special Facilities Revenue Bonds (Delta Air Lines, Inc. Project), Series 2001A, 2001B and 2001C (collectively, the "Delta Bonds") to be applied to the redevelopment of Terminal A at the Airport.
- As of June 30, 2002, the Authority had approximately $811.4 million of special facilities revenue bonds outstanding, in nine separate series of bonds.
- The principal of and interest on the special facilities revenue bonds issued by the Authority are special obligations of the Authority, payable solely from the sources of payment and to the extent provided in the resolutions establishing and authorizing the issuance of such bonds. The special facilities revenue bonds are not and shall never be general obligations of the Authority or of the Commonwealth or of any political subdivision thereof.

Other Obligations

- From time to time the Authority has guaranteed or provided other credit support for debt obligations issued by or on behalf of its tenants. (See Note I to the financial statements.)
- The Authority entered into an interest rate swap agreement, effective July 1, 2002, with Salomon Brothers Holding Company Inc. ("Salomon"), which is guaranteed by Salomon Smith Barney Holdings Inc., in the notional amount of $100 million pursuant to which the Authority will receive 4.05% and pay Salomon the Bond Market Association index on the notional amount for the period from July 1, 2002 through June 30, 2012. The Authority is treating this transaction as a synthetic variable rate refunding of $56 million of its Revenue Bonds, Series 1999-D and $44 million of its Revenue Bonds, Series 1998-E.

The Authority is financing its construction program through a combination of the Authority's revenues, entitlement and discretionary grants received from the FAA, PFCs, commercial paper and revenue bonds. Long-term debt is the principal source of funding for the Authority's Capital Program. The Authority, through the 1978 Trust Agreement, has covenanted to maintain a debt service coverage ratio of not less than 1.25. Debt service coverage is calculated based on a formula set forth in the 1978 Trust Agreement. Historically, the Authority has maintained a coverage ratio significantly higher than its requirement. As of June 30, 2002 and 2001, respectively, the Authority's debt service coverage under the 1978 Trust Agreement was 1.81 and 2.21. As of June 30, 2002 and 2001, the Authority's PFC debt service coverage under the PFC Trust Agreement was 2.27 and 3.46, respectively.

Contacting the Authority's Financial Management

For additional information concerning the Authority, please see the Authority's award winning website, www.massport.com. Financial information can be found in the Investor Relations section of the website by clicking on "About Massport", and then clicking on "Who We Are". The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 426-2800. Questions may be directed to Leslie A. Kirwan, the Authority's Director of Administration and Finance and Secretary-Treasurer.

Massachusetts Port Authority
Balance Sheet
June 30, 2002 and 2001
(In Thousands)

ASSETS	**2002**	**2001**
CURRENT ASSETS		
Cash and cash equivalents	$ 41,812	$ 36,397
Investments	47,028	56,857
Accounts receivable – net of allowance for doubtful accounts of $10,774 and $9,559 as of June 30, 2002 and 2001, respectively	20,341	19,706
Accounts receivable-grants	4,177	6,297
Prepaid expenses and other assets	4,951	1,344
Total current assets	118,309	120,601
NONCURRENT ASSETS		
Assets whose use is limited		
Cash and cash equivalents	50,159	43,800
Investments	438,346	525,440
Prepaid expenses	15,718	11,621
Investment in joint venture	4,426	4,923
Intangible assets, net	44,719	46,261
Capital Assets		
Completed facilities	2,243,161	2,035,298
Less accumulated depreciation	(967,637)	(928,360)
	1,275,524	1,106,938
Construction in progress	503,549	564,582
Capital assets, net	1,779,073	1,671,520
Total noncurrent assets	2,332,441	2,303,565
TOTAL ASSETS	$ 2,450,750	$ 2,424,166

(Continued on next page)

The accompanying notes are an integral part of these financial statements.

Massachusetts Port Authority
Balance Sheet, Continued
June 30, 2002 and 2001
(In Thousands)

LIABILITIES AND NET ASSETS	2002	2001
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 37,236	$ 24,546
Compensated absences	782	787
Retainage	6,776	2,984
Current maturities of funded debt	36,495	32,450
Accrued interest payable	33,242	34,037
Deferred income	2,935	2,533
Total current liabilities	117,466	97,337
NON-CURRENT LIABILITIES		
Accrued expenses	12,082	14,766
Compensated absences	14,852	14,958
Retainage	9,793	10,575
Funded debt	1,213,184	1,243,353
Deferred income	9,751	10,620
Total noncurrent liabilities	1,259,662	1,294,272
Total liabilities	1,377,128	1,391,609
NET ASSETS		
Invested in capital assets, net of related debt	615,048	550,573
Restricted	402,888	432,398
Unrestricted	55,686	49,586
Total net assets	1,073,622	1,032,557
TOTAL LIABILITIES AND NET ASSETS	$ 2,450,750	$ 2,424,166

The accompanying notes are an integral part of these financial statements.

Massachusetts Port Authority
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2002 and 2001
(In Thousands)

	2002	2001
Operating revenues:		
Fees, tolls and other services	$ 174,508	$ 187,357
Rentals	85,053	82,811
Concessions	42,741	45,495
Other	10,741	11,237
Operating grant	2,749	-
Total operating revenues	315,792	326,900
Operating expenses:		
Operations and maintenance	153,414	152,185
Administration	45,981	50,965
Insurance	4,332	2,880
Payments in lieu of taxes	12,209	13,093
Provision for uncollectible accounts	1,260	14
Depreciation and amortization	81,596	71,389
Total operating expenses	298,792	290,526
Operating income	17,000	36,374
Nonoperating revenues (expenses):		
Passenger facility charges	29,445	36,324
Investment income	19,795	28,982
Gain on sale of equipment	17	148
Other revenue	-	1,516
Interest expense	(40,642)	(35,734)
Total nonoperating revenue	8,615	31,236
Income before capital grant revenue	25,615	67,610
Capital grant revenue	15,450	12,851
Increase in net assets	41,065	80,461
Net assets, beginning of year	1,032,557	952,096
Net assets, end of year	$ 1,073,622	$ 1,032,557

The accompanying notes are an integral part of these financial statements.

Massachusetts Port Authority
Statements of Cash Flows
For the Years Ended June 30, 2002 and 2001
(In Thousands)

	2002	2001
Cash flows from operating activities:		
Cash received from customers and operating grants	$ 312,844	$ 330,194
Cash payments:		
To vendors for goods and services	(111,408)	(111,817)
To employees for services	(91,751)	(88,568)
Payments in lieu of taxes	(8,729)	(13,093)
Net cash provided by operating activities	100,956	116,716
Cash flows from capital and related financing activities:		
Capital Grants	17,571	8,588
Acquisition and construction of capital assets	(165,567)	(271,568)
Proceeds from commercial paper financing	6,000	22,000
Proceeds from transfer of land	-	12,000
Proceeds from sale of equipment	67	92
Principal paid on funded debt	(32,450)	(19,175)
Interest paid on funded debt	(67,506)	(66,144)
Proceeds from passenger facility charges	29,681	35,403
Net cash used for capital and related financing activities	(212,204)	(278,804)
Cash flows from investing activities:		
Purchases of investments	(1,587,362)	(1,466,567)
Proceeds from sales and maturities of investments	1,682,164	1,581,798
Interest earned on investments	28,220	41,922
Proceeds from credit enhancement fee	-	1,500
Net cash provided by investing activities	123,022	158,653
Net increase (decrease) in cash and cash equivalents	11,774	(3,435)
Cash and cash equivalents, beginning of year	80,197	83,632
Cash and cash equivalents, end of year	$ 91,971	$ 80,197

(Continued on next page)

The accompanying notes are an integral part of these financial statements.

Massachusetts Port Authority
Statements of Cash Flows, Continued
For the Years Ended June 30, 2002 and 2001
(In Thousands)

	2002	2001
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 17,000	$ 36,374
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	81,596	71,389
Provision for uncollectible accounts	1,260	14
Changes in assets and liabilities:		
Accounts receivable	(2,130)	3,938
Prepayments and other assets	(4,169)	2,536
Accounts payable and accrued expenses	7,977	1,064
Accrued compensated absences	(111)	2,521
Deferred income	(467)	(1,120)
Total adjustments	83,956	80,342
Net cash provided by operating activities	$ 100,956	$ 116,716

The accompanying notes are an integral part of these financial statements.

The Massachusetts Port Authority (the "Authority") is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth") created by Chapter 465 of the Acts of 1956, as amended, (the "Enabling Act"), effective June 21, 1956. The Authority controls, operates and manages Boston Logan International Airport ("Logan Airport"), Laurence G. Hanscom Field, Maurice J. Tobin Memorial Bridge ("Bridge"), the Port of Boston and other facilities in the Port of Boston. The Authority has no stockholders or equity holders and the Authority's financial statements are not a component of the Commonwealth's financial statements. The provisions of the Enabling Act and the Trust Agreement, dated as of August 1, 1978 as amended (the "1978 Trust Agreement"), between the Authority and State Street Bank and Trust Company, as Trustee, and the PFC Revenue Bond Trust Agreement dated May 6, 1999, as amended (the "PFC Trust Agreement"), between the Authority and the Bank of New York, as Trustee, govern the disposition of cash revenues to the various funds established under the 1978 Trust Agreement and the PFC Trust Agreement, and restrict the use of such revenues credited to the various funds.

A. Summary of Significant Accounting Policies

These financial statements have been prepared on the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America.

During 2002, the Authority adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments* (GASB34) as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The Authority's 2001 financial statements have been restated to implement the standards retroactively. The Authority follows the "business type" activity requirements of GASB 34 which requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:

  Nonexpendable – Net assets subject to externally imposed stipulations such that the Authority maintains them permanently. For the years ended June 30, 2002 and 2001, the Authority did not have nonexpendable net assets.

  Expendable – Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets included the Authority's bond construction funds on hand.

- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

A. Summary of Significant Accounting Policies, continued

Commencing on July 1, 1995, the Authority elected to apply all GASB and Financial Accounting Standards Board ("FASB") pronouncements issued before November 30, 1989, under the provisions of GASB Statement No. 20. Accordingly, FASB Statements issued after FASB No. 104 are not incorporated in the Authority's financial statements.

Assets Whose Use is Limited

The balance sheets caption, "Assets Whose Use is Limited," represent restricted or trusteed assets under the 1978 Trust Agreement and the PFC Trust Agreement that are earmarked to fund certain activities of the Authority such as construction of new facilities, debt service and debt service reserves.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including assets whose use is limited) with an original maturity of 30 days or less when purchased to be cash equivalents.

Investments

Investments with an original maturity greater than one year are recorded at their fair value with all investment income, including changes in the fair value of investments, reported as investment income in the financial statements. Investments with an original maturity of less than one year are carried at amortized cost. Investments consist of U.S. Government and agency obligations, repurchase agreements collateralized by U.S. Government or agency obligations, shares in the Massachusetts Municipal Depository Trust ("MMDT") and other investments permitted under the 1978 Trust Agreement or the PFC Trust Agreement.

Self-Insurance

The Authority, as mandated by the 1978 Trust Agreement, maintains a Self-Insurance Account within the Operating Fund. The funds on deposit in the Self-Insurance Account are intended to pay claims that are below insurance policies' deductible limits, and to be available to fund certain claims that may not be insurable on reasonable terms, if any. Investments used to fund self-insurance claims are included within "Assets whose use is limited" in the accompanying balance sheets.

Capital Assets

Facilities are carried at historical cost and include the expenditure of capital grants and the cost of significant renewals and betterments. Capital grants are recorded as capital grant revenue for the years ended June 30, 2002 and June 30, 2001. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation

Depreciation is calculated on the straight-line method based on the estimated useful lives of the applicable assets beginning in the fiscal year of acquisition or upon completion of construction. Depreciation is computed on facilities which are recorded in the accounts of the Authority, including those financed by grants.

A. Summary of Significant Accounting Policies, continued

Interest Capitalization

The Authority capitalizes certain interest associated with the cost of restricted tax-exempt borrowings, less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of $26,069,000 and $30,475,000 reduced by interest income of $6,303,000 and $12,940,000, resulted in interest of $19,766,000 and $17,535,000 for the years ended June 30, 2002 and 2001, respectively, being capitalized as a part of the cost of construction in progress.

Accounting for Compensated Absences

The Authority accrues for vacation and sick pay when it is earned. The liability for vested vacation and sick pay is reflected in the accompanying balance sheets under the captions "compensated absences."

Deferred Income

Deferred income consists primarily of amounts received from the Massachusetts Highway Department ("MHD") as compensation for temporary and permanent easements in certain properties at Logan Airport which provide MHD with sufficient rights in land owned by the Authority to permit MHD to complete the Ted Williams Tunnel project, as currently designed. Income received from these easements will be recognized over the shorter of the asset's useful life or the original term for temporary easements, and over the estimated useful life of the assets constructed under permanent easements, which is 25 years.

Arbitrage - Rebate Liability

The U.S. Treasury has issued regulations on calculating the rebate due to the U.S. Government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Internal Revenue Code of 1986, as amended. Arbitrage profits arise when the Authority temporarily invests the proceeds of tax-exempt debt in securities with higher yields than the yield on such debt. The Authority records a liability for arbitrage profits, if any, when the likelihood of payment becomes probable.

Passenger Facility Charges

Revenues derived from the collection of passenger facility charges ("PFCs") are recognized on the accrual basis and reported as nonoperating revenue by the Authority.

Net Assets

Net assets represent the residual interest in the Authority's assets after liabilities are deducted and consists of three sections: Invested in capital assets, net of related debt; restricted; and unrestricted. Net assets invested in capital assets, net of debt include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of applicable debt service reserves. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. The Authority's restricted assets are expendable. All other net assets are unrestricted.

A. Summary of Significant Accounting Policies, continued

Intangible Assets

Intangible assets consist of the rights to use certain parking spaces acquired by the Authority as part of the ParkEx Acquisition. During fiscal 2001, the Authority entered into an agreement for the purchase of a park and fly business located near Logan Airport, and the exchange of such property with the Massachusetts Highway Department for a different parcel and the receipt of $12 million cash. The Authority purchased the ownership interest of two partnerships that owned and operated a park and fly business ("ParkEx") located near the Airport and held the contractual rights to park 1,377 automobiles in East Boston. The purchase price for the partnerships was $75.6 million, of which, $74 million was paid through the issuance of two separate series of the Authority's Subordinated Revenue Bonds (the "Subordinated Bonds"), and the remaining $1.6 million was paid from available cash. The purchase price has been allocated between the ParkEx parcel and the contractual rights to park 1,377 automobiles in East Boston (the "ParkEx Parking Spaces"). The total amount allocated to the ParkEx Parking Spaces is approximately $46 million and is presented as Intangible Assets, net of amortization, in the accompanying financial statements. These intangible assets are amortized on a straight-line basis over 30 years.

Joint Venture

The Authority has a 33% participating interest in a joint venture (known as the Anderson Regional Transportation Center). In accordance with the joint venture agreement, the Authority records as income or loss its proportionate share of the net earnings or losses of the joint venture with a corresponding increase or decrease in the carrying value of the investment. The investment in the joint venture is reduced as cash distributions are received and is increased as cash contributions are made. See Note M.

Financial Statement Reclassification

Certain accounts in the June 30, 2001 financial statements have been reclassified to conform with the June 30, 2002 presentation.

B. Reconciliation of Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the 1978 Trust Agreement and the PFC Trust Agreement to the Financial Statements

The provisions of the Enabling Act, the 1978 Trust Agreement and the PFC Trust Agreement prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the 1978 Trust Agreement, monthly cash revenues of the Authority are deposited in the Operating Fund established pursuant to the 1978 Trust Agreement. After providing for operating expenses, including pension expense and transfers to the Self-Insurance Account, cash revenues are then transferred to the Interest and Sinking Fund, which are applied to debt service on any outstanding revenue bonds, the Maintenance Reserve Fund, the Payment In Lieu of Taxes Fund and, if applicable, the Capital Budget Fund and finally the Improvement and Extension Fund.

B. Reconciliation of Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the 1978 Trust Agreement and the PFC Trust Agreement to the Financial Statements, continued

Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are deposited in the Capital Budget Account within such fund. PFCs are deposited in the PFC Pledged Revenue Fund established pursuant to the PFC Trust Agreement and applied monthly to pay debt service on PFC Revenue Bonds as required in the PFC Trust Agreement.

B. Reconciliation of Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the 1978 Trust Agreement to the Financial Statement, continued

Presented below are the 2002 and summary 2001 revenues and operating expenses as determined in accordance with the 1978 Trust Agreement, and a reconciliation to net asset as presented in the accompanying statements of revenues, expenses and changes in net assets under accounting principles generally accepted in the United States of America ("GAAP").

(In thousands)	Bridge	Airport Properties	Port Properties: Maritime	Port Properties: Development	Investments	2002 Total	2001 Total
Revenues, net:							
Pledged revenues (5)	$ 17,436	$ 255,766	$ 31,562	$ 7,019	$ 12,959	$ 324,742	$ 348,490
Operating Grant	-	2,749	-	-	-	2,749	-
Total	17,436	258,515	31,562	7,019	12,959	327,491	348,490
Operating expenses:							
Operations and maintenance	5,163	114,747	27,140	4,913		151,963	151,089
Administration (6)	2,410	35,247	6,380	1,944		45,981	50,965
Insurance	279	2,430	534	184	-	3,427	2,890
Total	7,852	152,424	34,054	7,041	0	201,371	204,944
Excess (deficit) of revenues over operating expenses as prescribed by the 1978 Trust Agreement	9,584	106,091	(2,492)	(22)	12,959	126,120	143,546
Add:							
Other Revenue (3)						-	1,516
Self Insurance Interest Income/others (3)					2,791	2,791	2,033
Passenger Facility Charge (PFC) (3)		29,445			2,652	32,097	40,276
Earnings associated with PFC bond funds (3)					1,393	1,393	1,393
Gain on sale of equipment (2) (4)		3	14			17	148
Capital grant revenue (3)		15,450				15,450	12,851
Less:							
PILOT (4)	(690)	(10,086)	(1,029)	(404)		(12,209)	(13,093)
Self Insurance Cost (1)	42	(2,053)	982	124	-	(905)	10
Interest Expense (4)	(1,418)	(34,283)	(3,719)	(1,222)		(40,642)	(35,734)
Depreciation and Amortization (4)	(4,570)	(62,728)	(9,241)	(5,057)		(81,596)	(71,389)
Other Expenses (4)		(1,451)				(1,451)	(1,096)
Increase in net assets	$ 2,948	$ 40,388	$ (15,485)	$ (6,581)	$ 19,795	$ 41,065	$ 80,461

(1) Expensed under 1978 Trust Agreement, not an expense under GAAP.
(2) Equipment is depreciated under GAAP but not under 1978 Trust Agreement.
(3) Not revenue under 1978 Trust Agreement, revenue under GAAP.
(4) Not operating income/(expense) under 1978 Trust Agreement, income/(expense) under GAAP.
(5) For trust accounting purposes, the provision for uncollectible accounts is netted within the accounts listed under the Pledged Revenues caption.
(6) The Authority allocates total administrative expenses based upon the proportionate amount of revenues and direct expenses by facility.

C. Cash, Cash Equivalents and Investments

The following summarizes the Authority's cash, cash equivalents and investments at June 30, 2002 by the various funds and accounts established under the 1978 Trust Agreement and the PFC Trust Agreement. Summary 2001 information is also presented:

	Current		Non-current		
(In thousands)	Cash and cash equivalents	Investments	Assets whose use is limited: Cash, cash equivalents and investments	2002 Total	2001 Total
User defined for specific purposes:					
Operating/revenue fund	$ 28,983	$ -	$ -	$ 28,983	$ 32,731
Self-insurance account	-	-	32,681	32,681	29,812
Maintenance reserve	-	-	30,611	30,611	42,633
Payments in lieu of taxes	-	-	4,820	4,820	8,210
Capital budget account	-	-	113,735	113,735	98,911
Improvement and Extension Fund	12,829	47,028	-	59,857	60,523
1992 A&B Debt Service	-	-	3,265	3,265	3,236
1992 A&B Debt Service Reserve			4,327	4,327	4,291
1993 Debt Service	-	-	6,151	6,151	5,623
1993 Debt Service Reserve			8,465	8,465	8,541
1997A Debt Service	-	-	6,618	6,618	6,605
1997 A Debt Service Reserve			10,868	10,868	10,962
1997B Debt Service	-	-	1,904	1,904	1,893
1997 B Debt Service Reserve			2,959	2,959	3,007
1998A Debt Service	-	-	2,875	2,875	2,888
1998 A Debt Service Reserve			9,688	9,688	9,734
1998B Debt Service	-	-	2,571	2,571	2,878
1998B Debt Service Reserve			4,353	4,353	4,392
1998C Debt Service	-	-	13,684	13,684	13,614
1998C Debt Service Reserve			12,565	12,565	12,636
1998D Debt Service	-	-	2,909	2,909	2,942
1998D Debt Service Reserve			4,522	4,522	4,568
1998E Debt Service	-	-	3,676	3,676	3,665
1998E Debt Service Reserve			5,755	5,755	5,819
1999C Debt Service	-	-	5,290	5,290	4,063
1999C Debt Service Reserve			14,185	14,185	14,219
1999D Debt Service	-	-	3,314	3,314	4,480
1999D Project Account	-	-	16,714	16,714	34,244
1996C Project Note	-	-	-	-	633
1997 Note Project Account	-	-	3	3	3
1999A Rebate	-	-	1	1	-
1999B Rebate	-	-	4	4	-
1998 Project Refunding Account	-	-	-	-	52
1996E Commercial Paper			663	663	-
1999C Project Account	-	-	3	3	1,804
Park Ex 2000A Principal & Interest			8,402	8,402	8,002
Park Ex 2001A Principal & Interest			7,144	7,144	6,785
PFC Pledged Revenue	-	-	2,602	2,602	3,461
PFC Capital	-	-	30,943	30,943	45,849
PFC Collection	-	-	15	15	75
1999A&B PFC Funded Interest	-	-	3,539	3,539	1,872
1999A&B NON-PFC Fund Interest	-	-	2,725	2,725	4,035
1999A PFC Funded Debt Service Reserve	-	-	25,574	25,574	25,578
1999A PFC Project	-	-	85	85	12,013
1999B PFC Project	-	-	68,849	68,849	106,105
1999B PFC Principal	-	-	8,778	8,778	7,750
1999B Non PFC Principal			670	670	1,357
Total	$ 41,812	$ 47,028	$ 488,505	$ 577,345	$ 662,494

C. Cash, Cash Equivalents and Investments, continued

The carrying amount of the Authority's cash deposits was $5,071,000 and $4,376,000 at June 30, 2002 and 2001, respectively. The bank balance was $5,769,000 and $10,933,000 at June 30, 2002 and 2001, respectively. The nature of the reconciling items between the book and bank balance consisted primarily of outstanding checks which had not cleared the bank at year-end. The bank balance was fully collateralized as of June 30, 2002 and 2001.

The following summarizes the Authority's cash and cash equivalents and investments by type held at June 30, 2002. Summary 2001 information is also presented.

(In thousands)	Carrying Amount	Fair Value
Repurchase agreements	$ 68,544	$ 68,544
Forward delivery agreements	84,124	84,124
Guaranteed Investment Contracts	13,156	13,156
U.S. Government Agencies and Instrumentalities:		
Treasury Note / Bill	8,053	8,060
Federal Farm Credit (FFC)	16,106	16,104
SALLIE MAE (SLMA)	1,971	1,979
Federal National Mortgage Association (FNMA)	101,804	102,852
Federal Home Loan Bank (FHLB)	95,544	97,088
Federal Home Loan Mortgage Corp. (FHLMC)	94,005	95,005
Total U.S. Government Agencies and Instrumentalities	317,483	321,088
Mutual fund (MMDT) and others	83,935	83,935
Total investments	567,242	570,847
Cash deposit	5,071	5,071
Certificates of deposit	5,032	5,032
Total at June 30, 2002	$ 577,345	$ 580,950
Total at June 30, 2001	$ 662,494	$ 664,616

The Authority is authorized by the 1978 Trust Agreement and the PFC Trust Agreement to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, in bonds or notes of public agencies or municipalities, in the MMDT, in bank time deposits and in repurchase agreements and certain other types of permitted investments specified therein. All investments are held on behalf of the Authority by the Trustees and custodians for the Authority or the Trustees.

C. Cash, Cash Equivalents and Investments, continued

The repurchase agreements listed above are collateralized by obligations of the U.S. Government or agencies of the U.S. Government. The 1978 Trust Agreement and the PFC Trust Agreement require that securities underlying repurchase agreements at the time of purchase must have a fair value at least equal to the cost of the agreement plus accrued interest. MMDT is a governmental investment pool with a diversified portfolio of money market instruments.

The forward delivery agreements are each in the form of a guaranteed investment contract which provides for, among other things, the sequential delivery of securities to be sold to the applicable Trustee periodically at a discount from maturity value such that the aggregate discount equals the interest rate previously agreed between the Authority and the provider of the guaranteed investment contract.

The Authority's investments are categorized below to give an indication of the level of risk with Category 1 being the lowest level of risk to Category 3 being the highest level of risk.

Category 1: Includes investments that are insured or registered, or securities held by the Authority or its agent in the Authority's name. Category 2: Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the name of the Authority, as held by the Authority's Trustee. Category 3: Includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the name of the Authority. Investments in MMDT are not categorized.

The table below presents the Authority's investment risk classifications in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* (GASB 3).

	June 30, 2002 (In thousands) Category				
	1	2	3	Carrying amount	Fair value
Investments:					
Repurchase agreements		$ 68,544		$ 68,544	$ 68,544
U.S. Government agencies and instrumentalities		317,483		317,483	321,088
Sub Total		$ 386,027		386,027	389,632
Investments not categorized:					
Forward delivery agreements				84,124	84,124
Guarantee Investment Contracts				13,156	13,156
Mutual Fund and other (MMDT)				83,935	83,935
Sub Total				181,215	181,215
Total at June 30, 2002				$ 567,242	$ 570,847

C. Cash, Cash Equivalents and Investments, continued

	June 30, 2001 (In thousands) Category 1	2	3	Carrying amount	Fair value
Investments:					
Repurchase agreements		$ 153,575		$ 153,575	$ 153,575
U.S. Government agencies and instrumentalities		380,790		380,790	382,912
Sub Total		$ 534,365		534,365	536,487
Investments not categorized:					
Forward delivery agreements				40,592	40,592
Guarantee Investment Contracts				12,384	12,384
Mutual Fund and other (MMDT)				65,761	65,761
Sub Total				118,737	118,737
Total at June 30, 2001				$ 653,102	$ 655,224

The Authority's cash deposits are categorized below to give an indication of the level of risk with Category 1 being the lowest level of risk to Category 3 being the highest level of risk.

In accordance with GASB Statement No. 3, the Authority classifies its deposits as to the credit risk by the following three categories: Category 1 includes insured or collateralized cash with securities held by the Authority or its agent in the Authority's name; Category 2 includes collateralized cash with securities held by the pledging financial institutions' trust department or agent in the Authority's name; and Category 3 includes uncollateralized cash, including any bank balance that is collaterized with securities held by the pledging institution, or by its trust department or agent, but not in the Authority's name. The table below presents the Authority's deposit risk classifications in accordance with GASB Statement No. 3:

	June 30, 2002 (In thousands) Category 1	2	3	Carrying amount	Fair value
Cash Deposits:					
Cash on Hand			$ 5,071	$ 5,071	$ 5,071
Certificates of Deposit		$ 5,032		5,032	5,032
Sub Total		$ 5,032	$ 5,071	10,103	10,103
Total at June 30, 2002				$ 10,103	$ 10,103

C. Cash, Cash Equivalents and Investments, continued

	June 30, 2001 (In thousands) Category			Carrying	Fair
	1	2	3	amount	value
Cash Deposits:					
Cash on Hand			$ 4,376	$ 4,376	$ 4,376
Certificates of Deposit		$ 5,016		5,016	5,016
Sub Total		$ 5,016	$ 4,376	9,392	9,392
Total at June 30, 2001				$ 9,392	$ 9,392

D. Capital Assets

Net capital assets at June 30, 2002 and 2001 is comprised of:

(In thousands)	2002	2001
Facilities completed by operation:		
Airport	$ 1,687,404	$ 1,486,465
Bridge	137,133	132,977
Port	418,624	415,856
Capital assets	$ 2,243,161	$ 2,035,298

A summary of changes in investments in facilities and in construction in progress for the year ending June 30, 2002 is as follows:

(In thousands)	Beginning balance July 1, 2001	Additions and Transfers	Deletions and Transfers	Ending balance June 30, 2002
Construction in progress	$ 564,582	$ 192,355	$ (253,388)	$ 503,549
Land & land improvements	130,587	8,583	-	139,170
Bridge and bridge improvements	126,662	151	-	126,813
Buildings	1,246,672	120,554	(33,633)	1,333,593
Runway & other paving	415,510	120,642	(2,688)	533,464
Machinery & Equipment	115,867	8,530	(14,276)	110,121
	2,035,298	258,460	(50,597)	2,243,161
Less: accumulated depreciation	(928,360)	(79,231)	39,954	(967,637)
Capital Assets, net	$ 1,671,520	$ 371,584	$ (264,031)	$ 1,779,073

D. Capital Assets, continued

During 2002, Terminal A at the Airport was demolished, and accordingly all remaining assets associated with that project/facility have been fully depreciated.

Estimated useful lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 to 25 years
Buildings	25 years
Runways and other paving	25 years
Machinery and equipment	5 to 10 years

E. Passenger Facility Charge

In 1993, the Authority received initial approval from the Federal Aviation Administration ("FAA") to impose a $3.00 passenger facility charge ("PFC") at Logan Airport. PFCs collected by the Authority can be used for capital projects determined by the FAA to be eligible in accordance with the Aviation Safety and Capacity Expansion Act of 1990. In February, 1998, the Authority received approval from the FAA to increase its collections up to $927.4 million with a projected expiration date of October 1, 2017. The Authority also received approval from the FAA to use or expend a total of $927.4 million for preliminary design projects as well as for the final design, construction and financing costs associated with the eligible portions of residential soundproofing, Terminal E Modernization, circulating roadways, the elevated walkways, and the International Gateway Project.

On May 6, 1999, the Authority entered into the PFC Trust Agreement with the Bank of New York, as trustee, simultaneously removing PFC revenues from the pledge of the 1978 Trust Agreement. All PFCs collected by the Authority are currently pledged under the PFC Trust Agreement. On June 16, 1999, the Authority issued $249,355,000 PFC Revenue Bonds, Series 1999A and 1999B pursuant to the PFC Trust Agreement.

The amount of PFC revenue and the proceeds of bonds issued pursuant to the PFC Trust Agreement invested in Authority facilities, operations and reserves that are restricted for future PFC project payments is as follows:

(In thousands)	**June 30, 2002**	**June 30, 2001**
Total assets, PFCs	$ 558,798	$ 536,709
PFC funds and PFC Bond funds expended, net	(410,254)	(323,723)
Other PFC related assets	(4,761)	(4,888)
PFCs and PFC Bond proceeds restricted but not yet expended	$ 143,783	$ 208,098

F. Net Assets

The provisions of GASB Statements No. 33 and No. 34 have been applied to the years ending June 30, 2002 and 2001. The table below is a reconciliation of total equity per the Authority's internal financial statements for the years ending June 30, 2002 and 2001 to the net asset classifications for the years ending June 30, 2002 and 2001.

(in thousands) Equity	**2002**	**2001**
Equity, beginning of year	$1,032,557	$ 952,096
Income before capital grant revenue	25,615	67,610
Capital grant revenue	15,450	12,851
Equity, end of year	$1,073,622	$1,032,557
Invested in capital assets, net of related debt	615,048	550,573
Restricted	402,888	432,398
Unrestricted	55,686	49,586
Total net assets	$1,073,622	$1,032,557

G. Funded Debt

The following is a summary of the Authority's funded debt activity for the years ended June 30, 2002 and 2001:

(In thousands)	**2002**	**2001**
Funded debt, beginning of year	$1,284,595	$1,207,770
New debt issued	6,000	96,000
Principal paid on funded debt	(32,450)	(19,175)
Funded debt, end of year	$1,258,145	$1,284,595

G. Funded Debt, continued

Funded debt at June 30, 2002 and 2001 is comprised of the following:

(in thousands)	Weighted average interest rate at June 30, 2002	2002	2001
Revenue Refunding Bonds:			
Series 1993 - A & B	5.4%	$ 37,260	$ 40,455
Series 1997 – C	4.9%	14,350	14,510
Series 1998 - A, B & C	5.8%	224,015	235,850
Revenue Bonds:			
Series 1992 - A & B	5.8%	12,860	14,630
Series 1997 – A	5.2%	61,160	63,605
Series 1997 – B	5.1%	18,910	19,680
Series 1998 – D	4.6%	21,015	22,235
Series 1998 – E	4.7%	24,360	25,870
Series 1999 – C	5.5%	54,440	55,125
Series 1999 – D	5.5%	33,490	33,490
Term Revenue Bonds	5.5%	410,790	410,790
Subordinated Revenue Bonds			
Series 2000 – A, B & C	6.45%	40,000	40,000
Series 2001 – A, B & C	6.45%	34,000	34,000
PFC Revenue Bonds:			
Series 1999 – A	5.1%	67,665	67,665
Series 1999 – B	5.1%	172,830	181,690
Commercial paper	1.6%	31,000	25,000
Total funded debt		1,258,145	1,284,595
Less: unamortized loss on refunding		(3,493)	(3,676)
Less: original issue discount		(4,973)	(5,116)
Total		$ 1,249,679	$ 1,275,803
Less: current maturities of funded debt		(36,495)	(32,450)
Non current maturities of funded debt		$ 1,213,184	$ 1,243,353

G. Funded Debt, continued

Scheduled principal payments on funded debt are due annually on July 1 as follows:

Fiscal Year (in thousands)	
2003	$ 36,495
2004	38,770
2005	40,655
2006	42,700
2007	45,025
Thereafter	1,054,500
Total	$1,258,145

The following is a summary of the maturities and sinking fund requirements not including any unamortized discount or premium (in thousands):

Due Fiscal Year	Principal	Interest	Total Debt Service
2003	$ 36,495	$ 68,446	$ 104,941
2004	38,770	66,640	105,410
2005	40,655	64,651	105,306
2006	42,700	62,527	105,227
2007	45,025	57,204	102,229
2008 – 2012	240,670	261,531	502,201
2013 – 2017	259,975	186,931	446,906
2018 – 2022	162,165	115,073	277,238
2023 – 2027	43,885	67,502	111,387
Thereafter	347,805	27,795	375,600
	$ 1,258,145	$ 978,300	$ 2,236,445

On December 29, 2000 and January 2, 2001, as a component of the ParkEx Acquisition (see Note A: Intangible Assets), the Authority issued its Subordinated Revenue Bonds, Series 2000-A, 2000-B and 2000-C, and Series 2001-A, 2001-B and 2001-C, respectively, in the aggregate principal amount of $74 million, bearing interest at 6.45% per annum (collectively, the "Subordinated Bonds"), which are treated as a non-cash transaction in the accompanying financial statements. The Subordinated Bonds are payable solely from funds on deposit in the Improvement and Extension Fund and in a separate account not subject to the pledge of the 1978 Trust Agreement or the PFC Trust Agreement (the "Subordinated Bonds Principal Account"). The Subordinated Bonds are subordinate to all of the Authority's outstanding Revenue Bonds. The Authority has invested $12 million on deposit in the Subordinated Bonds Principal Account in two investment contracts which, at their stated maturities, will provide for the $74 million principal of the Subordinated Bonds at their respective maturities.

G. Funded Debt, continued

On May 31, 2001, the Authority renewed its commercial paper program in an aggregate principal amount not to exceed $100 million, and entered into a three year Line of Credit Agreement with Westdeutsch Landesbank Girozentrale, acting through its New York Branch, to support the commercial paper program. The sum of the non-AMT (Alternative Minimum Tax) program (called the 1996 Series) and the AMT program (called the 1997 Series) will not exceed the lesser of 10% of the outstanding principal on the Authority's outstanding debt or $100 million**.** As of June 30, 2002 and 2001, $31 million and $25 million, respectively, in commercial paper, 1996 Series, was outstanding.

The Authority entered into an interest rate swap agreement, effective July 1, 2002, with Salomon Brothers Holding Company Inc. ("Salomon"), which is guaranteed by Salomon Smith Barney Holdings Inc., in the notional amount of $100 million pursuant to which the Authority will receive 4.05% and pay Salomon the Bond Market Association index on the notional amount for the period from July 1, 2002 through June 30, 2012. The Authority is treating this transaction as a synthetic variable rate refunding of $56 million of its Revenue Bonds, Series 1999-D and $44 million of its Revenue Bonds, Series 1998-E.

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the Trustee for such bonds to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 2002, the balances outstanding for the following bonds which are considered defeased include:

	(In thousands)
1964 Series	$ 8,785
1969 Series	29,275
1971 Series	48,160
1973 Series	61,325
1982 Series	43,175
Total defeased bonds	$ 190,720

To provide for the construction and improvement of various facilities at Logan Airport, including a hotel and conference center, a fuel storage and distribution system, terminal extensions and improvements, and maintenance facilities, the Authority has issued and outstanding nine series of special facilities revenue bonds. On August 16, 2001, the Authority issued approximately $497.6 million in aggregate principal amount of its Special Facilities Revenue Bonds (Delta Air Lines, Inc. Project), Series 2001A, 2001B and 2001C (collectively, the "Delta Bonds"). The proceeds of the Delta Bonds have been applied to fund Delta's portion of the redevelopment of Terminal A at Logan Airport. The Authority's special facilities revenue bonds are all special limited obligations of the Authority and are payable solely from and secured solely by certain revenues to be received by a separate trustee, pursuant to agreements between the Authority and the tenants of the facilities constructed with the proceeds of such bonds and, in certain cases, guaranty agreements from the lessee/obligor.

G. Funded Debt, continued

The Authority's special facilities revenue bonds do not constitute a debt or pledge of the faith and credit of the Authority or the Commonwealth and, accordingly, have not been reflected in the accompanying financial statements.

At June 30, 2002, the aggregate principal amount of the Authority's special facilities revenue bonds outstanding is approximately $811.4 million.

H. Pension Costs

In July 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 ("C.487") and signed into law on July 18, 1978. This act provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," (the "Plan"), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment, Authority employees were members of the state employees' system, and the funding of the pension liability was on a "pay as you go" method. Pursuant to C.487, the employees' rights and benefits under the state plan were transferred to the new system, and the Authority established a separate pension fund. The Plan was established to provide retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries and contingent annuitants. The Plan is a contributory defined benefit plan to which the Authority and its employees contribute such amounts as are necessary, on an actuarial basis, to provide assets sufficient to meet benefits to be paid to plan participants. The Plan issues a stand-alone financial report which can be obtained by writing to:

Massachusetts Port Authority Employees' Retirement System
One Harborside Drive, Suite 200S
East Boston, MA 02128-2909

At January 1, 2002, the Plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	421
Current members:	
Active	1,110
Inactive	142
Total	1,673

Benefits are paid by the Plan from net assets available for Plan benefits. Plan participants are entitled, at normal retirement date, to benefit payments based upon length of service and earnings levels. Vesting occurs after ten years of service. Optional payment methods may be elected, including the contingent annuitant method which provides for reduced payments during the life of the Plan participant and continued payments to the participant's beneficiary after the death of the participant.

H. Pension Costs, continued

The Authority's covered payroll for members of the Plan as of the most recent actuarial valuation dates was approximately $63.6 million as of January 1, 2002. Total payroll for Authority employees was approximately $77.1 million for the 12 months ended June 30, 2002.

The actuarial cost method utilized to determine contributions for the years ended December 31, 2001 and 2000 is the Frozen Entry Age Actuarial Cost Method Plan.

The more significant actuarial assumptions underlying the actuarial computations for the Plan years ended December 31, 2001 and 2000 are as follows:

Assumed rate of return on investments	-	8.0% per annum compounded annually
Nondisabled life mortality	-	RP2000 Table (sex-distinct)
Withdrawal prior to retirement	-	The rates shown at the following sample ages illustrates the withdrawal assumption

	Rate of Withdrawal	
Age	**Group 1 and 2**	**Group 4**
25	9.0%	1.8%
30	5.6%	1.7%
35	3.2%	1.3%
40	2.3%	0.5%
45	1.8%	0.04%
50	1.5%	N/A
55	N/A	N/A

Salary escalation	-	5.5% per annum
Rate of Inflation	-	3.0%
Rates of retirement	-	Group 1 and 2 employees are assumed to retire upon the attainment of age 63 and 10 years of service
	-	Group 4 employees are assumed to retire upon the attainment of age 58 and 10 years of service
Retirement benefits	-	1.5% - 2.5% per year of service for Group 1 and Group 4
	-	2.0% - 2.5% per year of service for Group 2
Post retirement cost of living increases	-	3% per annum compounded annually on the first $12,000 of pension benefits.

H. Pension Costs, continued

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due and fund operating costs of the Plan. The Plan also amortizes the unfunded actuarial accrued liabilities in level amounts at 8% over a period of 20 years on a closed basis. The actuarial value of assets is determined using fair values (adjusted by payables and receivables) adjusted to phase in investment gains or losses above or below the expected rate of investment return. A four-year rolling period is used.

Total contributions to the Plan were $6,015,347 for the plan year ended December 31, 2001. This includes employee contributions of $6,015,347, which are based upon a percentage of employee base pay (5% for employees hired before January 1, 1975, 7% for employees hired between January 1, 1975 and January 1, 1984, 8% for employees hired after January 1, 1984 and 9% for employees hired after July 1, 1996 and, effective January 1, 1998, an additional 2% of base pay over $30,000 for those employees hired after December 31, 1978). The Authority did not make contributions to the Plan in fiscal year 2002. Authority contributions are determined in accordance with an actuarial valuation performed for the Plan's fiscal year beginning January 1, 2002.

As presented in the following table, the Frozen Entry Age Actuarial Method for calculating the schedule of funding progress is the methodology required by the Plan under its charter.

(In Thousands)

Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability ("AAL")	(b-a) Unfunded actuarial accrued liability ("UAAL")	(a/b) Funded ratio	(c) Covered payroll	(b-a)/c UAAL as a percent of covered payroll
1/1/01	$285,609	$285,209	$(400)	100.1%	$65,403	(0.6)%
1/1/00	260,162	262,606	2,444	99.1%	61,250	4.0%
1/1/99	230,807	234,184	3,377	98.6%	56,888	5.9%
1/1/98	202,761	208,176	5,415	97.4%	54,393	10.0%
1/1/97	175,804	179,455	3,651	98.0%	50,563	7.2%
1/1/96	158,403	160,266	1,863	98.8%	49,193	3.8%

Analysis of the dollar amounts of actuarial value of assets, AAL and UAAL, in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the AAL provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System (PERS). Trends in assets in excess of AAL and annual covered payroll are both affected by inflation. Expressing the assets in excess of AAL as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due.

H. Pension Costs, continued

Schedule of Employer Contributions
(In thousands)

Calendar Year ended December 31	Annual required employer contributions (ARC)	Employer contributions as a percent of ARC
2001	-	0%
2000	-	0%
1999	-	0%

The Plan's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation

Plan investments are reported at fair value. Securities traded on a national or international securities exchange are valued at the last reported sales price on the last business day of the plan year; investments traded on a national securities exchange for which no sale was reported on that date and investments in common and preferred stocks traded in over-the-counter markets are valued at the mean of the last reported bid and asked prices, or the last reported bid price. Mutual funds and commingled funds, including real estate, are valued based on net asset value at year-end. Limited partnerships are valued using the valuations reported by the general partner.

Certain operating expenses incurred by the Plan are funded by the Authority through additional employer contributions. Investment management fees, consulting fees and custodial fees for the Plan are reflected as deductions to investment income.

I. Contingent Liabilities and Commitments

Contractual Obligations for Construction

Contractual obligations for construction were approximately $415,664,000 at June 30, 2002.

Guarantee and Intercreditor Agreement

During fiscal 2002, the Authority entered into a Guarantee and Intercreditor Agreement (the "Intercreditor Agreement") with The Bank of New York (the "Bank") in connection with an unrelated limited liability company's bonds. The bonds were issued in fiscal 2000 to provide financing to the limited liability company (the "Company"), which is a tenant of the Authority, to fund construction of a multi-tenant seafood processing and distribution center (the "Facility") located at the North Jetty in the Marine Industrial Park in Boston, Massachusetts on which the Authority has a long-term lease from the City of Boston. The Facility was substantially completed and fully leased at June 30, 2002. The Intercreditor Agreement represents a guarantee by the Authority to pay the Bank up to $10 million in the event the Company does not meet its obligations to pay the guaranteed obligations, as defined. The Authority and the Company have also entered into an Amended and Restated Reimbursement Agreement (the "Reimbursement Agreement") pursuant to which the Authority has agreed to

I. Contingent Liabilities and Commitments, continued

advance for the benefit of the Company up to $10,000,000 to the Bank under the Intercreditor Agreement in the event the Company fails to repay drawings on the letter of credit issued by the Bank to support the bonds and up to $900,000 to others for certain additional costs, and the Company has agreed to repay such advances over a term of up to 15 years, with interest on the unpaid balance at 5% per annum. Such obligations of the Authority are payable solely from available moneys, as defined, in the Improvement and Extension Fund established under the 1978 Trust Agreement and cash collateral, if any, provided to the Bank under the Intercreditor Agreement.

As of June 30, 2002, the Authority had advanced on behalf of the Company approximately $508,303 of the $900,000 authorized. In the opinion of the Authority's management, no advance pursuant to the Intercreditor Agreement is anticipated during the next twelve months and, except for the remaining $391,697 authorized to be advanced on behalf of the Company, no further advances pursuant to the Reimbursement Agreement are anticipated during the next twelve months.

Third Harbor Tunnel

The Massachusetts Highway Department ("MHD") is undertaking a depression of a portion of I-93 in downtown Boston ("Central Artery") and the extension of the eastern terminus of I-90 to the Airport by construction of a new tunnel under Boston Harbor (the "Ted Williams Tunnel"), (collectively, the "CA/T Project").

In March 1999, the Authority, MHD and the Massachusetts Turnpike Authority entered into a Roadway Transfer Agreement that provides for the acquisition by the Authority of certain identified segments of the CA/T Project located at Logan Airport following completion of construction of such segments, in exchange for installment payments by the Authority to the Commonwealth totaling an aggregate of $300 million. On January 29, 2001, the Authority, MHD and the Massachusetts Turnpike Authority entered into a Second Supplement to the Roadway Transfer Agreement which provides for the transfer to the Authority of an additional portion of the Ted Williams Tunnel located within and exclusively serving Logan Airport valued at $65 million, in exchange for a payment to the Commonwealth by the Authority of $65 million, thereby increasing the aggregate commitment to $365 million. Payments totalling $160 million have been made through June 30, 2002. The remaining payments are due in the following amounts in each of the following fiscal years: $105 million, $50 million and $50 million, in fiscal years 2003, 2004 and 2005, respectively.

The Authority and MHD entered into a Settlement Agreement dated as of January 15, 1998 (the"CA/T Settlement Agreement") which is intended to resolve all past and certain future land acquisition claims relating to the portions of the Authority's property at the Airport and in South Boston necessary to complete the Ted Williams Tunnel project.

Pursuant to the CA/T Settlement Agreement, MHD has made payments to the Authority and certain of its tenants and agreed to provide certain betterments to the Authority. As of June 30, 2002, the Authority has received payments from MHD totaling approximately $38.2 million. In return, the Authority has released MHD from all land damage lawsuits and claims relating to the Ted Williams Tunnel project asserted by the Authority against MHD, to assist MHD with relocation of certain Airport tenants, to work diligently to cause certain tenants of

I. Contingent Liabilities and Commitments, continued

the Authority to dismiss pending land damage actions against MHD, and to provide MHD with sufficient rights in land owned by the Authority at the Airport to permit MHD to complete the Ted Williams Tunnel project, as currently designed.

Seaport Bond Bill

The Seaport Bond Bill was enacted on February 14, 1996 and provides authorization for funding by the Commonwealth of $15 million toward the nonfederal share of the cost of completing the Boston Harbor Navigation Improvement Project. The Seaport Bond Bill requires the Authority to pay twenty-five percent (25%) for the nonfederally funded costs of the Project. The Authority has already paid or committed approximately $5 million for the nonfederal share of the Project. Private berth owners have paid for the dredging of their individual berths. A second provision of the Seaport Bond Bill would provide a mechanism for funding improvements to the Massachusetts rail transportation network allowing rail shipment of double stack cargo from Allston yards in Boston to points west, which is anticipated to encourage expanded container shipments through the Port of Boston. The Seaport Bond Bill requires that the Authority provide up to fifty percent (50%) of the cost of improvements to the rail line from Framingham to the Allston yard in Boston permitting double stack shipments, at an estimated cost to the Authority of approximately $38 million. Expenditure of funds will not occur until the execution of a Master Agreement, as defined by the statute, between the Commonwealth and the participating railroads.

Worcester Airport

On April 15, 1999, the Authority entered into a Memorandum of Understanding ("M.O.U.") among the City of Worcester, Massachusetts and the Worcester Airport Commission (the "City Parties"). The M.O.U. contemplates the takeover of the Worcester Regional Airport by the Authority in two separate phases. In compliance with Phase One, on January 15, 2000, the Authority assumed operating responsibility for Worcester Regional Airport pursuant to a separate Operating Agreement. Phase Two, anticipated by the M.O.U. to take place within five years of the date of execution of the Operating Agreement, may involve the transfer of title of Worcester Regional Airport from the City Parties to the Authority. However, legislation would be required to effectuate such transfer. The Authority's goal is to develop a more effective and efficient regional airport network by increasing utilization of Worcester Regional Airport in conjunction with ongoing operation of its other airport facilities.

The terms of the Operating Agreement provide for the allocation of the net operating deficits for Worcester Regional Airport as between the Authority and the City of Worcester, with the Authority assuming 75% of those net operating deficits during fiscal year 2002 and 100% during fiscal years 2003 and 2004. For the years ending June 30, 2002 and 2001, the Authority paid $1,451,000 and $1,096,000, respectively for the net operating deficits of Worcester Airport, pursuant to the terms of the Operating Agreement.

J. Payments in Lieu of Taxes

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements (collectively, the "PILOT Agreements") to make annual

J. Payments in Lieu of Taxes, continued

payments in lieu of taxes to Boston, Chelsea, and Winthrop. In fiscal 1992, the Authority's obligation to Chelsea for annual in-lieu-of-tax payments through 2012 was satisfied by a payment of $5,000,000. In response to increased traffic on the Bridge and the increased impact of the Airport on Chelsea since 1992, however, the Authority and Chelsea amended their PILOT Agreement in fiscal 1999 to provide for annual payments by the Authority to the City of Chelsea of $500,000 for each of the fiscal years 1999 through 2003, inclusive.

In fiscal 1994, the Authority entered into an extension of an amendment to its agreement with Winthrop (the "Winthrop PILOT Agreement") which extended the base in-lieu-of-tax payments through fiscal 1999 and added further components to such payments: a parks/related facilities portion of $150,000, payable through fiscal 2011, which is adjusted annually based upon the percentage increase in the number of annual air passengers at Logan Airport; and a tree planting portion of $12,500 payable through fiscal 1998 which is now complete. While the base in-lieu-of tax payments were extended only through fiscal 1999, the Authority continued to make such payments in fiscal 2002 under the Winthrop PILOT Agreement. In August 1997, the Authority and Winthrop entered into a further amendment of the Winthrop PILOT Agreement which added another two components to such in lieu of taxes payments: an Ingleside Park/Related Facilities Portion consisting of an annual payment of $383,333, payable each September 1 of fiscal 1998 through fiscal 2000; and an Additional Environmental Portion consisting of an annual payment of $150,000 payable each September 1 from 2001 through fiscal 2005. Neither the Ingleside Park/Related Facilities Portion nor the Additional Environmental Portion are subject to the escalation provisions of the Winthrop PILOT Agreement.

In fiscal 1995, the Authority entered into a comprehensive Amended and Restated Payment-in-Lieu-of-Taxes Agreement with the City of Boston, (the "Boston PILOT Agreement"), with a term commencing on March 14, 1995 and ending June 30, 2005. Pursuant to the Boston PILOT Agreement, the Authority will pay to the City the sum of $10,000,000 annually, which payment will be increased by the annual percentage change in the consumer price index, provided that such increase shall be no less than 3%, nor greater than 7%, per year, less an established credit, per the Boston PILOT Agreement. In August 1997, the Authority and certain community groups entered into agreements which provide for additional payments under the Boston PILOT Agreement, for a minimum of $4.8 million and up to $9.6 million, with payments to be made as milestones, associated with modernization of Logan Airport, were reached. These additional payments are not subject to annual adjustments.

The Authority's Enabling Act, the 1978 Trust Agreement and the PILOT Agreements provide that annual payments under the PILOT Agreements may not exceed the balance of revenues remaining after deposits to the payment of operating expenses, required deposits to the Interest and Sinking Fund and required deposits to the Maintenance Reserve Fund.

K. Litigation

In April 1991, the Massachusetts Department of Environmental Protection ("DEP") sent the Authority a Notice of Responsibility ("NOR") under M.G.L. c. 21E, Section 5(a), alleging that there have been releases of oil and hazardous materials at Logan Airport and that, as the owner of Logan Airport, the Authority is a “responsible party” liable for the costs of investigating,

K. Litigation, continued

assessing and remediating soil and groundwater contamination at the Logan Airport site. Following further assessment activities at Logan Airport, DEP issued another NOR dated March 9, 1994, in which DEP concluded that Logan Airport is not a single contaminated site but rather the location of thirty-one (31) separate and discrete contaminated sites. Assessment and remediation of soil and groundwater contamination at the Logan Airport contamination sites identified by DEP is continuing. While the full nature and extent of the contamination and necessary remedial and cleanup measures have yet to be finalized, and therefore cannot be estimated, response costs under c. 21E will be substantial. The Authority, however, has recovered a significant share of its costs of compliance with c. 21E from third parties who are responsible for the contamination and from liability insurance carriers who provided coverage to the Authority. The Authority recovered more than $11 million dollars from third parties and insurers and has obtained substantial commitments from third parties to conduct further c.21E compliance measures at a number of the Logan Airport contamination sites identified by DEP. The Authority expects to recover any remaining costs of compliance through rates and charges levied upon users of the Airport.

Contamination has been discovered on various Massport properties located in South Boston. As the owner of the properties, the Authority is a "responsible party" under M.G.L. c.21E for costs of investigating and remediating the contamination at this site. The full extent of the contamination and necessary remediation measures have not yet been determined; however, the costs could be material to the Authority's results of operations. In addition, the Authority has not yet determined whether and to what extent those costs may be recoverable from other parties responsible for the contamination.

The Authority is also a defendant in a number of legal proceedings arising in the normal course of business. Management, after reviewing with legal counsel all actions and proceedings pending against or involving the Authority, believes that the aggregate liability of loss if any, resulting from the final outcome of those proceedings will not materially affect the Authority’s financial statements.

On September 11, 2001, terrorists hijacked American Airlines flight 11 and United Airlines flight 175 and flew them into the World Trade Center in New York, N.Y. The terrorist acts caused the deaths of approximately 3,000 persons, unknown numbers of personal injuries, and massive property damage. Both flights originated at Logan Airport. As of September 25, 2002 the Authority is aware of fifteen (15) lawsuits pending against the Authority and other entities relating to these terrorist attacks. In addition, the Authority has been served with multiple Notices of Claim which state or suggest that the named claimants intend to file suit at some unspecified time in the future.

In October 2001, Congress passed the Air Transportation Safety and System Stabilization Act of 2001 (“ATSSSA”), which provides, among other things, that victims who suffered physical injury or death as a result of the events of September 11, 2001 could file a claim with a newly created Victim Compensation Fund. Those who seek such compensation waive the right to file a civil lawsuit. It is unknown how many victims will elect to seek such compensation. The Fund created by the ATSSSA does not apply to claims for property damage, business interruption, or the like.

K. Litigation, continued

In November 2001, Congress passed the Aviation and Transportation Security Act. The Act provides a limitation on liability of various entities, including airport sponsors such as the Authority, for the events of September 11, 2001. Specifically, the liability of an airport sponsor for those events "shall not be in an amount greater than the limits of liability insurance coverage maintained by that . . . airport sponsor." The Authority has insurance in effect to cover these incidents in the amount of $500,000,000 per occurrence. To the Authority's knowledge, the Authority's insurer has received copies of all complaints and Notices of Claim and/or any other form of notification to the Authority by an individual claiming to have suffered a loss. Furthermore, to the Authority's knowledge, its insurer has agreed to defend any such claims and has not reserved its rights to deny coverage with respect to any of those claims.

L. Leases

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates. In addition, certain of the lease agreements contain provisions for contingent payments based on a specified percentage of the tenant's gross revenue. Rental income from contingent payments received under these provisions was approximately $28,294,000 and $37,495,400 for fiscal years 2002 and 2001, respectively.

Minimum future rental income, excluding contingent rentals, from noncancelable operating leases as of June 30, 2002 are:

Year	Amount (in thousands)
2003	$ 33,661
2004	28,564
2005	25,878
2006	25,693
2007	25,041
Thereafter	572,378
Total	$ 711,215

The Authority has also entered into operating leases as the lessee. The following is a schedule by years of future minimum rental payments under noncancelable operating leases as of June 30, 2002:

Year	Amount (in thousands)
2003	$ 20,426
2004	18,221
2005	(16,526)
2006	4,968
2007	4,968
Thereafter	37,284
Total	$ 102,393

Rent expense was $21,022,000 and $21,713,000 for fiscal years 2002 and 2001, respectively.

M. Interagency Agreement

In May 1996, the Authority entered into an interagency agreement with the MHD and Massachusetts Bay Transportation Authority ("MBTA") for the construction of a Regional Transportation Center ("RTC") in Woburn, Massachusetts (the "Interagency Agreement").

Under the terms of the Interagency Agreement, the Authority has paid one third of the cost of acquiring the site and constructing the RTC, and will share in a like proportion in the profits and losses of the RTC.

The RTC opened in May 2001. For the fiscal year 2002, the RTC's operating losses were $370,000. The Authority's proportionate share of RTC's operating losses for the fiscal year 2002 is $124,000, which is included in other revenue. Separate financial statements from the joint venture may be obtained by writing to:

RTC Joint Venture
c/o Massachusetts Port Authority
One Harborside Drive
East Boston, MA 02108
Attn: Christopher Gordon, Director of Capital Programs and Logan Modernization

N. Risk Management

The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, injuries to third parties and employees. The Authority maintains a risk control effort through a risk transfer program which includes insurance and indemnification in favor of the Authority from third parties. The Authority, as mandated by the 1978 Trust Agreement, maintains a Self-Insurance Account within the Operating Fund. As of June 30, 2002 and 2001, the Self-Insurance Account had assets of $32,681,000 and $29,812,000, respectively, available to pay future claims. During fiscal years 2002 and 2001, the Authority maintained nine different accounts to finance its self-insured risk which is funded through internal financing. The Authority carries insurance coverage for property, liability and worker's compensation with various deductibles and limits and for other exposure to losses. The self insurance accruals are determined by the Risk Management Department based on insurance claim history and actuarial estimates needed to pay prior and current-year claims. The overall accrual was approximately $5,360,000 and $3,080,000 as of June 30, 2002 and 2001, respectively, and is included as a component of accrued expenses in the accompanying financial statements. Changes in the accrued liability accounts in fiscal year 2002 and 2001 are as follows:

(in thousands)

Fiscal Year	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2001	$2,702	1,302	(924)	$3,080
2002	$3,080	3,066	(786)	$5,360

N. Risk Management, continued

There were no significant reductions in insurance coverage from the prior year by major category of risk. In addition, insured claims have not exceeded insurance coverage in the past three years.

As part of the risk financing program at the Authority, risk of loss is retained through deductibles or self-insured retentions. These are used in the property, liability and workers' compensation programs, with varying retained amounts ranging from $25,000 to $500,000. These retained risks are funded through the Self Insurance Account.

The most formal programs exist in workers' compensation and third party liability. As a modified self-insurer (both risks involve insurance excess of a substantial self-insured retention), the Authority engages in loss prevention and claims management.

The Authority discharges its obligation to provide workers' compensation coverage, required by Massachusetts General Laws, Chapter 152, by obtaining a license as a self insurer from the Division of Industrial Accidents.

The property policies are currently constructed to provide loss payments for the repair, replacement or reconstruction of the damaged or destroyed property in compliance with the requirements of the 1978 Trust Agreement.

Massachusetts Port Authority
Supplemental Schedule of Combining Balance Sheets
June 30, 2002
(In Thousands)

	Authority Operations	PFC Program	Combined
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 41,812	$	$ 41,812
Investments	47,028		47,028
Accounts receivable – net of allowance for doubtful accounts	18,386	1,955	20,341
Accounts receivable-grants	4,177		4,177
Prepaid expenses and other assets	4,604	347	4,951
Total current assets	116,007	2,302	118,309
NONCURRENT ASSETS			
Assets whose use is limited			
Cash and cash equivalents	50,139	20	50,159
Investments	294,583	143,763	438,346
Prepaid expenses	13,259	2,459	15,718
Investment in joint venture	4,426		4,426
Intangible assets	44,719		44,719
Capital assets			
Completed facilities	2,105,359	137,802	2,243,161
Less accumulated depreciation	(948,186)	(19,451)	(967,637)
	1,157,173	118,351	1,275,524
Construction in progress	211,646	291,903	503,549
Capital assets, net	1,368,819	410,254	1,779,073
Total noncurrent assets	1,775,945	556,496	2,332,441
TOTAL ASSETS	$ 1,891,952	$ 558,798	$ 2,450,750

(Continued on next page)

Massachusetts Port Authority
Supplemental Schedule of Combining Balance Sheets, Continued
June 30, 2002
(In Thousands)

	Authority Operations	PFC Program	Combined
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	$ 33,684	$ 3,552	$ 37,236
Compensated absences	782		782
Retainage	1,631	5,145	6,776
Current maturities of funded debt	27,290	9,205	36,495
Accrued interest payable	27,071	6,171	33,242
Deferred income	2,934	1	2,935
Total current liabilities	93,392	24,074	117,466
NON-CURRENT LIABILITIES			
Accrued expenses	12,082		12,082
Compensated absences	14,852		14,852
Retainage	3,161	6,632	9,793
Funded debt	980,114	233,070	1,213,184
Deferred income	9,751		9,751
Total noncurrent liabilities	1,019,960	239,702	1,259,662
Total liabilities	1,113,352	263,776	1,377,128
NET ASSETS			
Invested in capital assets, net of related debt	378,136	236,912	615,048
Restricted	344,778	58,110	402,888
Unrestricted	55,686		55,686
Total net assets	778,600	295,022	1,073,622
TOTAL LIABILITIES AND NET ASSETS	$ 1 ,891,952	$ 558,798	$ 2,450,750

Massachusetts Port Authority
Supplemental Schedule of Combining Statements of Revenues, Expenses and Changes in Net Assets
June 30, 2002
(In Thousands)

	Authority Operations	PFC Program	Combined
Operating revenues:			
Logan Airport			
Fee	$ 127,394	$ -	$ 127,394
Rentals	72,634	-	72,634
Concessions	41,371	-	41,371
Other	10,741	-	10,741
	252,140	-	252,140
Hanscom			
Fee	763	-	763
Rentals	2,490	-	2,490
Concessions	1,370	-	1,370
	4,623	-	4,623
Bridge			
Tolls	17,436	-	17,436
Maritime			
Fee	27,951	-	27,951
Rentals	3,951	-	3,951
	31,902	-	31,902
Business Development			
Fee	964	-	964
Rentals	5,978	-	5,978
	6,942	-	6,942
Operating Grant	2,749	-	2,749
Total operating revenues	315,792	-	315,792
Operating expenses:			
Operations and maintenance	153,414	-	153,414
Administration	45,981	-	45,981
Insurance	4,332	-	4,332
Payments in lieu of taxes	12,209	-	12,209
Provision for uncollectible accounts	1,260	-	1,260
Depreciation and amortization	77,234	4,362	81,596
Total operating expenses	294,430	4,362	298,792
Operating income	21,362	(4,362)	17,000
Nonoperating revenues (expenses):			
Passenger facility charges	-	29,445	29,445
Investment income	15,750	4,045	19,795
Gain/(loss) on sale of equipment	17	-	17
Interest expense	(40,637)	(5)	(40,642)
Total nonoperating revenue	(24,870)	33,485	8,615
Income before capital grant revenue	(3,508)	29,123	25,615
Capital grant revenue	15,450	-	15,450
Increase in net assets	11,942	29,123	41,065
Net assets, beginning of year	766,682	265,875	1,032,557
Net assets, end of year	$ 778,624	$ 294,998	$ 1,073,622

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Massachusetts Port Authority

Statistical Section

Historical Operating and Nonoperating Revenues According to GAAP
Fiscal Year Ended June 30 (In Thousands)

S-1 Operating and Nonoperating Revenues

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Operating Revenues										
Fees, tolls and other services	$117,429	$ 129,605	$ 139,687	$ 141,201	$ 142,460	$158,007	$ 170,839	$ 182,873	$187,357	$ 174,508
Rentals	55,431	58,438	58,335	61,432	61,974	66,840	67,992	75,925	82,811	85,053
Concessions	28,851	28,763	30,794	35,235	38,031	43,654	46,461	46,315	45,495	42,741
Other	17,672	6,597	6,835	9,285	9,444	9,463	10,209	10,714	11,237	10,741
Operating grant	-	-	-	-	-	-	-	-	-	2,749
Total Operating Revenues	219,383	223,403	235,651	247,153	251,909	277,964	295,501	315,827	326,900	$315,792
Nonoperating Revenues										
PFC Revenue	-	14,937	31,187	33,159	32,266	33,874	35,327	36,815	36,324	29,445
Investment income	11,487	10,561	14,540	16,033	15,614	18,808	20,931	25,220	28,982	19,795
Capital Grant Revenue *	-	-	-	-	-	-	-	-	12,851	15,450
Other/Gain on sales of assets	-	-	-	5	384	577	-	139	1,664	17
Total nonoperating revenues	11,487	25,498	45,727	49,197	48,264	53,259	56,258	62,174	79,821	64,690
Total Revenues	$230,870	$ 248,901	$ 281,378	$ 296,350	$ 300,173	$331,223	$ 351,759	$ 378,001	$406,721	$ 380,482

* During 2001, the Authority adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* GASB Statement No. 33 requires that items of contributed capital be recorded as nonoperating revenue in the statement of revenues, expenses and changes in equity. GASB 33 states that governments should not restate contributed capital arising from periods prior to implementation of this statement.

Massachusetts Port Authority

Statistical Section

Historical Operating and Nonoperating Expenses According to GAAP
Fiscal Year Ended June 30 (In Thousands)

S-2 Operating and Nonoperating Expenses

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Operating Expenses										
Operations and Maintenance	$ 86,402	$ 99,991	$ 102,293	$ 108,428	$ 108,355	$ 114,197	$ 132,756	$ 135,468	$ 152,185	$ 153,414
Administration	38,264	39,335	44,226	50,969	50,068	49,889	54,457	54,054	50,965	45,981
Insurance	3,748	2,675	2,904	2,756	2,646	2,414	4,234	2,313	2,880	4,332
Pension Costs	2,863	2,415	2,491	2,610	2,070	2,588	1,533	-	-	-
Payments in lieu of taxes	6,227	6,237	6,409	10,236	10,526	12,062	13,465	12,031	13,093	12,209
Provision for uncollectible accounts	1,245	(523)	(800)	(514)	577	815	1,255	(100)	14	1,260
Depreciation and Amortization *	39,261	42,908	46,317	48,534	52,179	60,406	65,672	75,706	71,389	81,596
Other	10,000	-	-	-	-	-	-	-	-	-
Total Operating Expenses	188,010	193,038	203,840	223,019	226,421	242,371	273,372	279,472	290,526	298,792
Nonoperating Expenses										
Interest Expense	26,490	31,253	31,736	31,347	31,435	33,701	30,758	34,323	35,734	40,642
Loss from sale of equipment	-	-	1,137	-	-	-	98	-	-	-
Termination of interest rate swap	-	-	-	-	-	6,087	-	-	-	-
Loss from defeasance of debt	12,424	-	-	-	-	-	-	-	-	-
Total Nonoperating Expenses	38,914	31,253	32,873	31,347	31,435	39,788	30,856	34,323	35,734	40,642
Total Expenses	$ 226,924	$ 224,291	$ 236,713	$ 254,366	$ 257,856	$ 282,159	$ 304,228	$ 313,795	$ 326,260	$ 339,434

* Prior to FY2000 depreciation and amortization were treated as nonoperating expenses in the Authority's Financial Statements.

Massachusetts Port Authority

Statistical Section

Historical Operating Results and Debt Service Coverage
Reconciliation Between GAAP and the 1978 Trust Agreement
Fiscal Year Ended June 30 (In Thousands)

S -3 Operating Results and Debt Service Coverage

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Operating Revenue:										
Per Financial Statements	$219,383	$223,403	$235,651	$247,153	$251,909	$277,964	$295,501	$315,827	$326,900	$315,792
Adjustments:										
Provision for uncollectible accounts	(1,245)	523	800	514	(577)	(815)	(1,255)	100	(14)	(1,260)
Other	(12,439)	(3)	1	-	(88)	-	1	-	-	
Operating Revenue:										
Per the 1978 Trust Agreement	205,699	223,923	236,452	247,667	251,244	277,149	294,247	315,927	326,886	314,532
Income on Investments:										
Per Financial Statements	11,487	10,561	14,540	16,033	15,614	18,808	20,931	25,220	28,982	19,795
Adjustments:										
PFC	-	(120)	(1,573)	(3,244)	(4,189)	(3,748)	(3,021)	(5,948)	(5,345)	(4,045)
Self Insurance Accounts	(767)	(458)	(1,002)	(1,140)	(1,213)	(1,322)	(1,375)	(1,524)	(1,660)	(1,450)
Others	-	-	-	(1)	-	-	-	-	(5)	(568)
Park Ex	-	-	-	-	-	-	-	-	(368)	(773)
Income on Investments:										
Per the 1978 Trust Agreement	10,720	9,983	11,965	11,648	10,212	13,738	16,535	17,748	21,604	12,959
TOTAL REVENUES										
Per the 1978 Trust Agreement	$216,419	$233,906	$248,417	$259,315	$261,456	$290,887	$310,782	$333,675	$348,490	$327,491
Operating Expenses:										
Per Financial Statements	$188,010	$193,038	$203,840	$223,019	$226,421	$242,371	$273,372	$279,472	$290,526	$298,792
Adjustments:										
Insurance	650	479	207	500	619	476	(1,676)	141	10	(905)
Pension Adjustments	479	507	537	569	604	640	-	-	-	-
Payments in Lieu of Taxes	(6,227)	(6,237)	(6,409)	(10,236)	(10,526)	(12,062)	(13,465)	(12,031)	(13,093)	(12,209)
Provision for uncollectible accounts	(1,245)	523	800	514	(577)	(815)	(1,255)	100	(14)	(1,260)
Depreciation and Amortization	(39,261)	(42,908)	(46,317)	(48,534)	(52,179)	(60,406)	(65,672)	(75,706)	(71,389)	(81,597)
Other Expenses	(10,000)	(3,000)	1	(13)	(26)	(531)	(3,288)	(250)	(1,096)	(1,451)
TOTAL EXPENSES										
Per the 1978 Trust Agreement	132,406	142,402	152,659	165,819	164,336	169,673	188,016	191,726	204,944	201,370
Net Revenue:										
Per the 1978 Trust Agreement	**$84,013**	**$91,504**	**$95,758**	**$93,496**	**$97,120**	**$121,214**	**$122,766**	**$141,949**	**$143,546**	**$126,121**
Annual Debt Service (1)	**$45,656**	**$48,018**	**$48,024**	**$47,054**	**$47,061**	**$46,560**	**$56,956**	**$57,444**	**$64,965**	**$69,711**
Annual Debt Service Coverage (1)	1.84	1.91	1.99	1.99	2.06	2.60	2.16	2.47	2.21	1.81

(1) Proceeds of passenger facility charges ("PFCs") are excluded from Revenues because such proceeds have been excluded from Revenues under the 1978 Trust Agreement. As used in the table, "Annual Debt Service" is equal to the "Principal and Interest Requirements" on Bonds, net of Capitalized Interest (other than PFC Revenue Bonds,Commerecial Paper, Subordinated Revenue Bonds and Special Facilities Revenue Bonds) outstanding for the applicable fiscal year.

Massachusetts Port Authority

Statistical Section

Historical Operating Results and Debt Service Coverage According to the 1978 Trust Agreement
For Fiscal Year Ended June 30 (In Thousands)

S-3A Operating Results and Debt Service Coverage According to the 1978 Trust Agreement

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Revenues:										
Airport Properties										
Landing Fees	$37,909	$42,012	$44,981	$45,349	$49,053	$50,809	$51,990	$52,930	$56,141	$49,656
Parking Fees	42,388	44,989	50,746	55,892	54,326	58,214	63,931	71,108	73,269	64,007
Utility Fees	10,460	10,980	11,339	11,503	11,695	12,495	11,874	12,488	14,170	13,731
Terminal Rentals	31,982	33,775	33,819	34,604	34,763	39,164	37,689	40,328	40,879	41,771
Non-Terminal Building and Ground Rents	15,133	19,080	20,238	20,826	21,332	21,095	22,444	26,264	29,949	29,851
Concessions	25,924	26,758	28,802	32,879	35,948	41,051	44,462	44,190	44,370	41,371
Other	5,634	7,278	6,991	9,147	9,329	11,155	10,062	10,863	11,236	13,179
Hanscom	2,525	2,286	2,136	2,358	2,445	2,850	2,943	3,579	4,073	4,949
	171,955	187,158	199,052	212,558	218,891	236,833	245,395	261,750	274,087	258,515
Port Properties										
Maritime	22,394	25,271	25,586	23,033	20,574	22,354	30,098	34,689	32,155	31,562
Port Planning & Development	5,959	6,115	5,918	5,958	5,407	5,476	7,107	7,279	7,454	7,019
	28,353	31,386	31,504	28,991	25,981	27,830	37,205	41,968	39,609	38,581
Bridge	5,237	5,379	5,896	6,118	6,372	12,486	11,647	12,209	13,190	17,436
Facilities Management	154									
Total Operating Revenue	205,699	223,923	236,452	247,667	251,244	277,149	294,247	315,927	326,886	314,532
Investment Income (1)	10,720	9,983	11,965	11,648	10,212	13,738	16,535	17,748	21,604	12,959
Total Revenues	216,419	233,906	248,417	259,315	261,456	290,887	310,782	333,675	348,490	327,491
Operating Expenses (2):										
Airport Properties										
Logan	93,659	102,174	108,606	120,469	121,556	124,572	136,400	139,896	153,010	148,514
Hanscom	3,411	3,255	3,263	3,215	3,201	3,116	3,133	3,394	4,040	3,910
	97,070	105,429	111,869	123,684	124,757	127,688	139,533	143,290	157,050	152,424
Port Properties										
Maritime	23,904	26,049	29,305	28,355	26,312	29,169	34,626	34,719	33,420	34,054
Port Planning & Development	4,957	4,500	4,780	6,533	6,285	6,076	6,642	6,414	6,822	7,040
	28,861	30,549	34,085	34,888	32,597	35,245	41,268	41,133	40,242	41,094
Bridge	6,316	6,424	6,705	7,247	6,982	6,740	7,215	7,303	7,652	7,852
Facilities Management	159									
Total Operating Expenses	132,406	142,402	152,659	165,819	164,336	169,673	188,016	191,726	204,944	201,370
Net Revenues	$84,013	$91,504	$95,758	$93,496	$97,120	$121,214	$122,766	$141,949	$143,546	$126,121
Annual Debt Service	$45,656	$48,018	$48,024	$47,054	$47,061	$46,560	$56,956	$57,444	$64,965	$69,711
Annual Debt Service Coverage	1.84	1.91	1.99	1.99	2.06	2.60	2.16	2.47	2.21	1.81

(1) Excludes investment income deposited into Construction and PFC Funds.
(2) Includes allocation for all operating expenses related to Authority General Administration.

Massachusetts Port Authority
Statistical Section

Insurance Coverage
Fiscal Year Ended June 30, 2002

S-4 Annual Insurance Renewals

TYPE OF COVERAGE	BROKER / UNDERWRITER	PREMIUM
PROPERTY INSURANCE		
All Risk Property Insurance including Boiler and Machinery and Contractor's Equipment	Hobbs Group, LLC / Lexington Insurance Company, Royal Indemnity Company Lloyd's of London	$3,036,401 (1)
Property Terrorism Coverage		$810,000
Hull Insurance - Fireboat, State Police Patrol Boat	Customhouse Marine / Continental Insurance Company	$9,784
LIABILITY INSURANCE		
Aviation General Liabilty Primary and Excess	Sheppard Riley Coughlin / ACE Property and Casualty	$2,000,000
Airport Terrorism Coverage		$1,100,000
Comprehensive Marine Liability Terminal Operator's Liability Primary and Excess Including Terrorism	Sheppard Riley Coughlin / American Home Assurance Company Lexington Insurance Company	$362,750 (2)
Bridge General Liability Primary	Sheppard Riley Coughlin / American Home Assurance Company Lexington Insurance Company	$138,750 (3)
Bridge Terrorism Coverage		$150,000
Stevedore's Legal Liability Primary and Excess Including Terrorism	Sheppard Riley Coughlin / American Home Assurance Company	$166,500 (4)
Automobile Liability Including Bus Liabilty (5)	Sheppard Riley Coughlin Hanover Insurance	$476,272 (5)
OTHER COVERAGES		
Crime, Dishonesty Burglary and Robbery	Marsh USA, Inc. Travelers Casualty & Surety	$14,048
Secretary-Treasurer's Bond	Marsh USA, Inc. Continental Insurance Company	$3,075
Customs Bond	Marsh USA, Inc. American Casualty Company	$750

(1) Premium is adjustable based upon replacement cost of construction projects completed during the policy term
(2) Premium is adjustable based upon gross receipts.
(3) Premium is adjustable based upon traffic count.
(4) Premium is adjustable based upon payroll.
(5) Premium is adjustable based upon number of registered vehicles.

Massachusetts Port Authority

Statistical Section

Logan International Airport
Traffic Statistics
Fiscal Year Ended June 30

S-5 Logan International Airport Statistics - In-Bound and Out-Bound Traffic (1)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Aircraft Operations (2)										
Domestic (3)	217,864	224,023	223,288	216,018	218,630	227,781	237,276	247,979	247,298	197,844
International (4)	39,978	41,661	39,715	39,146	38,053	43,273	47,423	43,414	48,699	39,883
Regional	193,795	194,656	169,727	181,309	179,832	195,178	185,963	162,062	167,820 (5)	145,749
General Aviation	23,916	24,023	24,070	25,085	28,197	30,142	33,918	40,371	31,687	25,524
Total Operations	475,553	484,363	456,800	461,558	464,712	496,374	504,580	493,826	495,504	409,000
Enplaned Plus Deplaned Passengers										
Domestic (3)										
Enplaned	8,654,443	9,172,852	9,339,562	9,567,226	9,642,929	9,934,156	10,025,973	10,510,792	10,135,550	8,052,257
Deplaned	8,710,037	9,229,641	9,400,897	9,620,396	9,715,636	9,964,942	10,107,352	10,514,006	10,194,716	8,088,769
International (4)										
Enplaned	1,786,231	1,824,854	1,783,986	1,712,139	1,753,328	1,896,499	2,089,101	2,202,592	2,377,178	1,904,246
Deplaned	1,786,606	1,822,943	1,801,790	1,739,503	1,772,306	1,882,741	2,065,148	2,170,689	2,335,959	1,889,185
Regional										
Enplaned	1,027,183	1,084,375	956,853	1,084,601	1,017,862	1,183,254	1,134,641	1,086,632	1,145,938 (5)	1,069,742
Deplaned	1,004,408	1,091,474	948,943	1,054,636	1,016,331	1,159,076	1,112,732	1,058,307	1,140,587 (5)	1,047,558
Subtotal	22,968,908	24,226,139	24,232,031	24,778,501	24,918,392	26,020,668	26,534,947	27,543,018	27,329,928	22,051,757
General Aviation										
Enplaned	42,482	42,004	40,795	43,746	49,980	53,681	62,030	64,269	57,985	46,302
Deplaned	43,794	41,635	40,708	44,835	51,268	54,797	58,842	53,878	55,369	45,051
Total Passengers	23,055,184	24,309,778	24,313,534	24,867,082	25,019,640	26,129,146	26,655,819	27,661,165	27,443,282	22,143,110
Average Passengers Per Flight										
Domestic (3)	79.7	82.1	83.9	88.8	88.5	87.4	85.0	84.8	82.2	81.6
International (4)	89.4	87.6	90.3	88.2	92.7	87.3	87.0	100.7	96.8	95.1
Regional	10.5	11.2	11.2	11.8	11.3	12.0	12.1	13.2	13.6	14.5

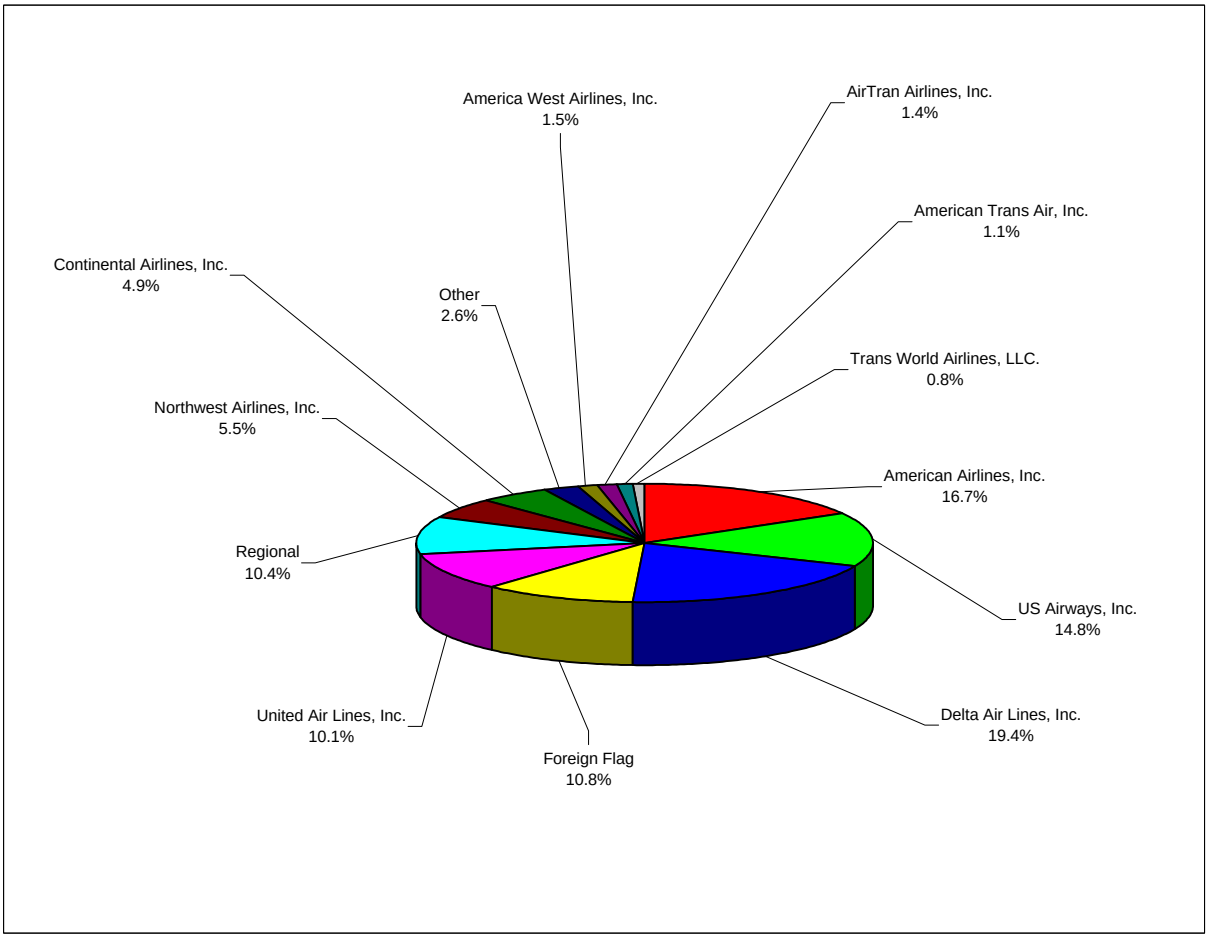
(1) The above information is based on statistics provided by the airlines
(2) Includes all-cargo flights, but excludes helicopters
(3) Includes jet and charter
(4) Includes jet, charter and international commuter
(5) Restated to account for corrected information provided by a carrier

Massachusetts Port Authority

Statistical Section

Logan International Airport
Total Passenger Traffic Market Share
Fiscal Year Ended June 30, 2002

S-6 Logan International Airport - Fiscal Year 2002 Market Share of Total Passenger Traffic

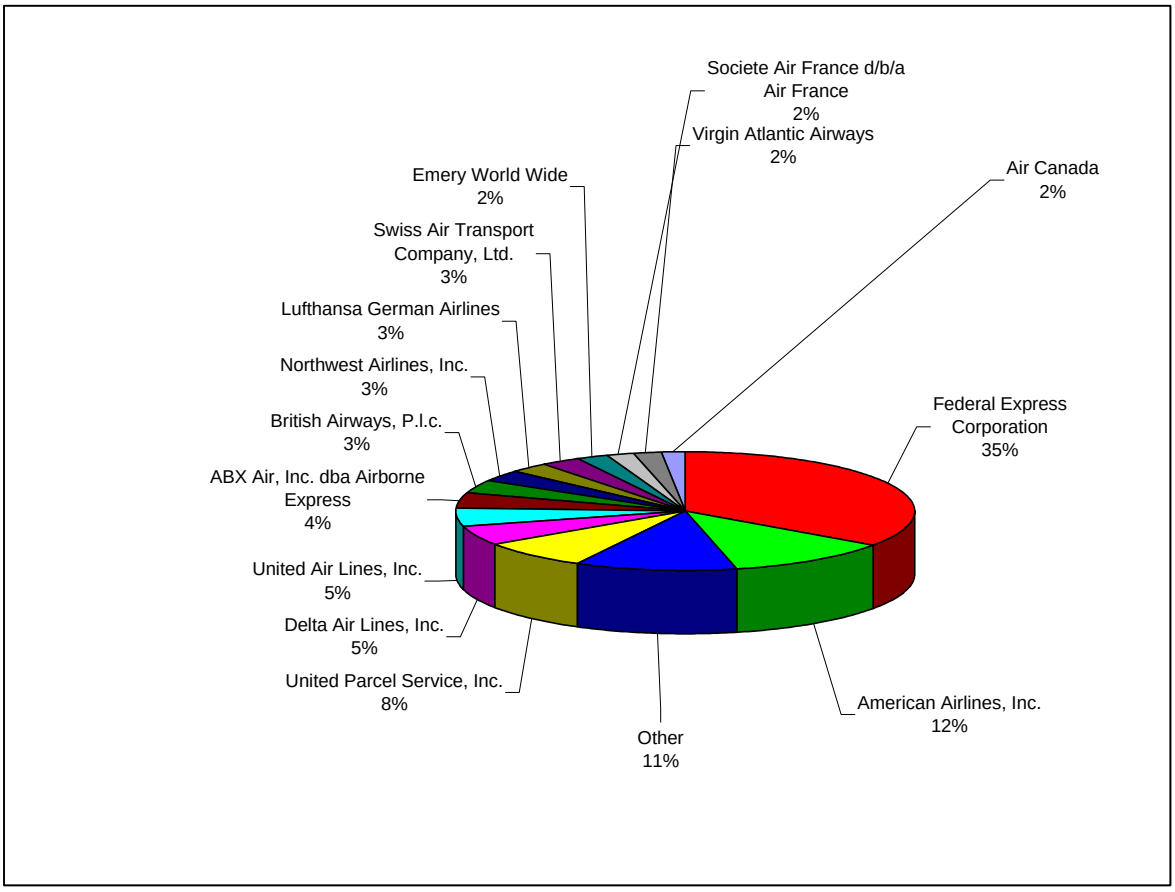


Massachusetts Port Authority

Statistical Section

Logan International Airport
Total Cargo, Express Packages and Mail Market Share
Fiscal Year Ended June 30, 2002

S-7 Logan International Airport - Fiscal Year 2002 Market Share of International and Domestic Cargo, Express Packages and Mail


Societe Air France d/b/a Air France 2%
Virgin Atlantic Airways 2%
Air Canada 2%
Emery World Wide 2%
Swiss Air Transport Company, Ltd. 3%
Lufthansa German Airlines 3%
Northwest Airlines, Inc. 3%
British Airways, P.l.c. 3%
Federal Express Corporation 35%
ABX Air, Inc. dba Airborne Express 4%
United Air Lines, Inc. 5%
Delta Air Lines, Inc. 5%
United Parcel Service, Inc. 8%
American Airlines, Inc. 12%
Other 11%

Massachusetts Port Authority

Statistical Section

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Logan International Airport
Passenger Markets

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S-8 Logan International Airport – Passenger Markets

The following table shows the percentage of passengers traveling on U.S. air carrier airlines to or from the Airport and other final domestic destinations for calendar year 2001, as reported by the United States Department of Transportation ("DOT"). International passengers are not included. It also shows the comparative ranking of the top 20 domestic destinations for the same period and for the preceding calendar year.

Calendar 2000 Rank	Calendar 2001 Rank	Market	Calendar 2001 Percentage
1	1	New York, New York / Newark, New Jersey	10.9%
2	2	Washington, DC	6.1
3	3	San Francisco, California	5.4
9, 16*	4	South Florida	5.1
5	5	Orlando, Florida	4.5
4	6	Atlanta, Georgia	4.5
7	7	Los Angeles, California	4.4
6	8	Chicago, Illinois	4.4
8	9	Philadelphia, Pennsylvania	2.8
11	10	Tampa, Florida	2.5
10	11	Dallas, Texas	2.5
12	12	Denver, Colorado	2.4
13	13	Minneapolis-St.Paul, Minnesota	2.1
15	14	West Palm Beach, Florida	1.9
14	15	Las Vegas, Nevada	1.8
17	16	Fort Meyers, Florida	1.8
19	17	Baltimore, Maryland	1.6
18	18	San Juan, Puerto Rico	1.6
20	19	Houston, Texas	1.3
**	20	Raleigh-Durham, North Carolina	1.3
		Total for Cities Listed	68.8%

Source: United States Department of Transportation, O&D Survey

* Counted separately in 2000 (consists of Miami and Ft. Lauderdale, FL)
**Not listed in top twenty for calendar year 2000.

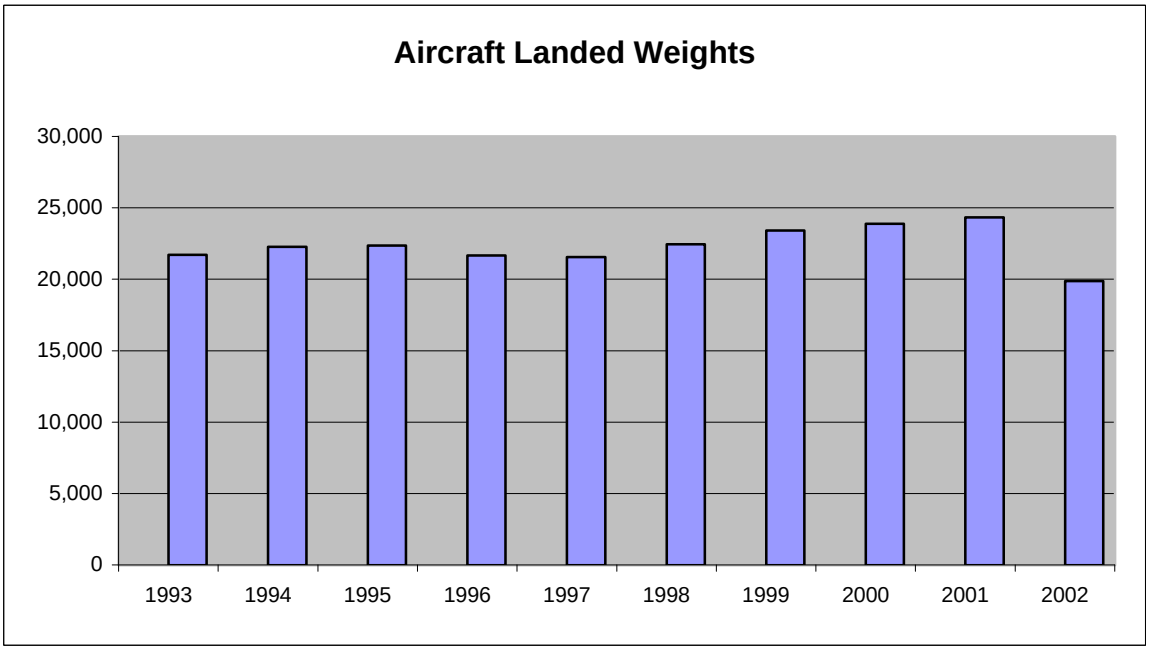
Massachusetts Port Authority

Statistical Section

Logan International Airport
Aircraft Landed Weights
Fiscal Year Ended June 30 (In Millions)

S-9 Logan International Airport Statistics - Aircraft Landed Weights

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Aircraft Landed Weights	21,700	22,270	22,358	21,672	21,554	22,447	23,412	23,878	24,324	19,872



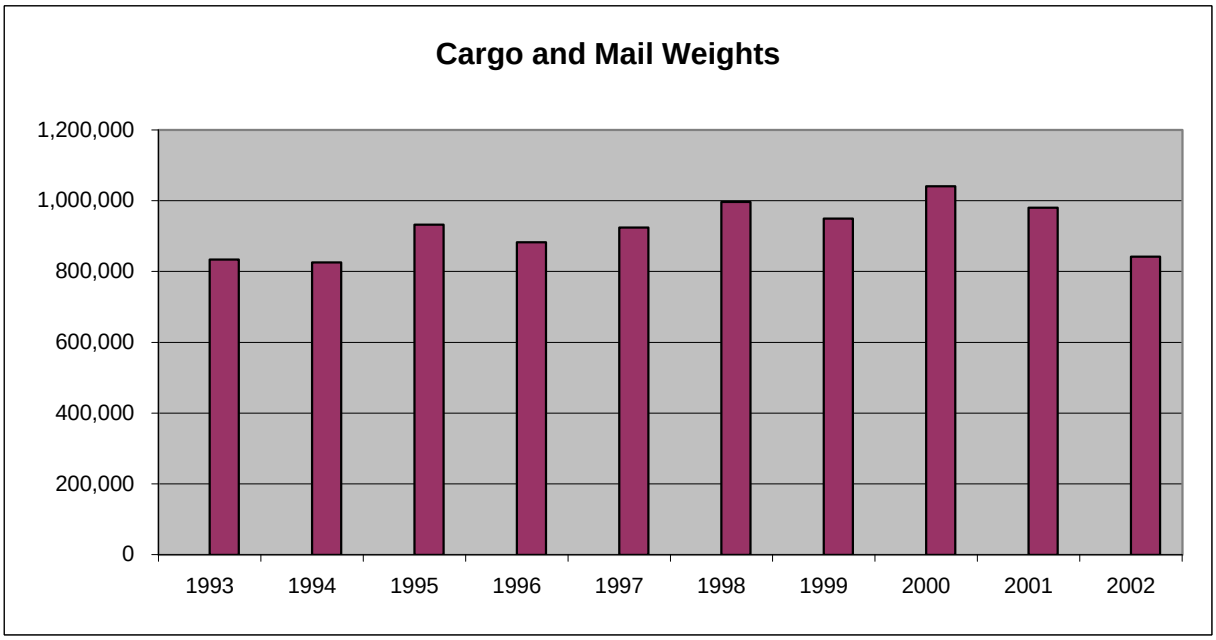
Massachusetts Port Authority

Statistical Section

Logan International Airport
Cargo and Mail Weights
Fiscal Year Ended June 30 (In Thousands)

S-10 Logan International Airport Statistics - Cargo and Mail

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total Cargo & Mail	834,075	825,183	931,936	883,001	923,941	996,371	949,338	1,040,877	980,385	842,249



Massachusetts Port Authority

Statistical Section

Passenger Facility Charge Project Activity

Fiscal Year Ended June 30, 2002 (In Thousands)

S-11 Passenger Facility Charge

PROJECTS	Charge Effective Date	Approval of Use Date	Cumulative Expenditures to Date	Approval of Use Amount
Project: Residential Sound Insulation (RSIP)	01-Nov-93	27-Jan-97	$15,325	$26,990
Project: Logan Modernization Program (LMP) Planning, Preliminary Design and Environmental Analysis	01-Nov-93	24-Aug-93	9,510	10,346
Project: Terminal E Modernization	01-Nov-93	27-Jan-97	20,892	24,568
Project: Roadway System (Circulation)	01-Nov-93	27-Jan-97	101,804	268,306
Project: International Gateway	01-Nov-93	05-Feb-98	28,911	434,106
Project: Elevated Walkways	01-Jan-01	27-Jan-97	102,435	163,037
			$278,877	$927,353

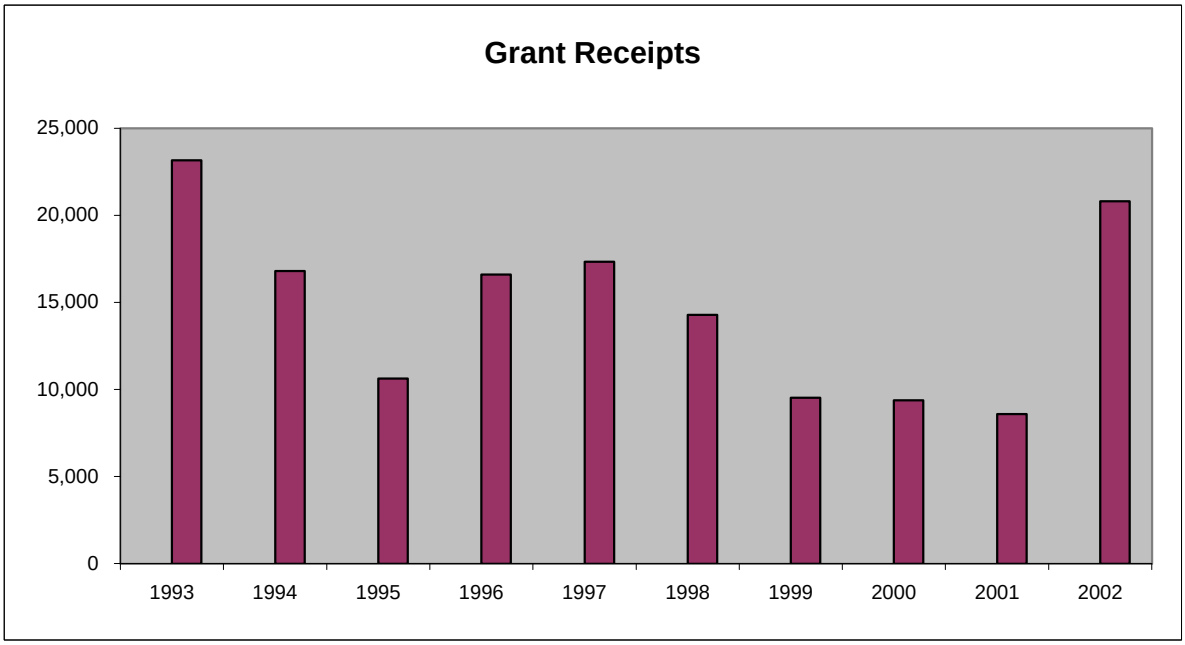
Massachusetts Port Authority

Statistical Section

Airport Improvement Program (AIP) Grant Receipts
Fiscal Year Ended June 30 (In Thousands)

S-12 Grant Receipts History

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Fiscal Year Receipts	$23,154	$16,809	$10,618	$16,599	$17,329	$14,277	$9,520	$9,370	$8,588	$20,814



Certain expenditures for airport capital improvements and residential soundproofing are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA).

Massachusetts Port Authority

Statistical Section

Port of Boston

Fiscal Year Ended June 30

S-13 Cargo and Passenger Activity

Port Activity	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Containers (1)	75,395	86,114	90,921	73,083	72,291	78,808	83,544	83,407	74,901	72,537
Cruise Passengers	31,403	22,930	79,520	69,075	69,905	109,708	115,625	156,769	186,070	246,539
Automobiles (2)	62,486	32,304	21,971	36,010	62,282	72,333	74,060	87,973	89,348	80,070
Bulk Tonnage	198,491	184,963	243,147	355,042	205,621	248,204	217,103	168,600	158,705	207,583

(1) Does not include over-the-road volumes.
(2) Includes vehicles entered by over-the-road means through September 1998: does not include vehicles entered by over-the-road means after September 1998.

Massachusetts Port Authority

Statistical Section

Port of Boston

Fiscal Year Ended June 30, 2002

S-14 Principal Customers

Direct Service	Shipping Lines	Cruise Lines	Large Customs House Brokers
Atlantic Container Line	China Ocean Shipping	Carnival Cruise Line	AIS International, Inc.
China Ocean Shipping Co.	Evergreen America	Crystal Cruises	C.H. Powell Company
CMA - CGM	Hanjin	Cunard Line	Danzas A & I
Columbia Coastal Transport	Hapag Lloyd	Holland America Line	Deringer, A.N.Inc.
Hanjin Shipping	K-Line	Norwegian Cruise Line	Dynasty International
K-Line	Lykes Line	P & O Cruises	Emery Worldwide
Mediterranean Shipping Corp.	Maersk SeaLand	Princess Cruises	Expeditors International
SPM Marine Line	Mediterranean Shipping Company	Royal Caribbean Cruise Line	Fedex Trade Networks
Yang Ming Line	Orient Overseas Container Line	Seabourn Cruise Line	International Specialists Inc.
	P & O Nedlloyd	Silversea Cruises	Kuehne & Nagel, Inc.
	Yang Ming Line	Hapag Lloyd	Liberty International
	ZIM Container	Costa Cruise Line	UPS Freight Services
			Panalpina, Inc.

Massachusetts Port Authority

Statistical Section

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Tobin Memorial Bridge

Fiscal Year Ended June 30

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S-15 Bridge Statistics (In-Bound)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Resident: Vehicles with Sticker *	3,268,838	2,938,818	2,796,181	1,386,017	165,360	348,192	388,825	395,526	388,815	391,961
Class 1 Passenger *	6,270,670	6,648,313	8,903,972	10,300,122	11,762,019	10,468,960	9,888,389	10,025,617	10,898,566	10,218,593
Total Passenger Vehicles	9,539,508	9,587,131	11,700,153	11,686,139	11,927,379	10,817,152	10,277,214	10,421,143	11,287,381	10,610,554
Class 2 - 6 Commercial **	1,128,817	1,167,641	473,785	380,809	357,179	782,599	675,747	821,852	990,900	924,235
Total Paying Vehicles	10,668,325	10,754,772	12,173,938	12,066,948	12,284,558	11,599,751	10,952,961	11,242,995	12,278,281	11,534,789
MBTA (Massachusrtts Bay Transportation Authority)	43,347	48,502	62,863	55,957	49,753	56,567	62,239	67,471	68,358	54,620
Non-Revenue	49,843	53,710	56,655	70,243	73,531	64,478	53,239	41,425	43,264	43,878
Total Non-Paying Vehicles	93,190	102,212	119,518	126,200	123,284	121,045	115,478	108,896	111,622	98,498
TOTAL VEHICLES	10,761,515	10,856,984	12,293,456	12,193,148	12,407,842	11,720,796	11,068,439	11,351,891	12,389,903	11,633,287

* Prior to January 1996 all motorists having passenger vehicles could purchase a Bridge sticker and pay a discounted toll. This program was discontinued and only residents of Charlestown and Chelsea , who qualified, were allowed a discounted toll.

** Beginning in Fiscal Year 1995 commercial vehicles hauling hazardous materials were no longer allowed to use the Bridge.

Massachusetts Port Authority

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